

HELSINKI SCHOOL OF ECONOMICS  
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THE INFLUENCE OF LANGUAGE COMPETENCE ON  
INDIVIDUALS' CAREER PATHS IN A MNC

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## KIELITAIDON VAIKUTUS URAKEHITYKSEEN KANSAINVÄLISESSÄ YRITYKSESSÄ

### Tutkimuksen tavoitteet

Tutkimuksen tavoitteena oli tutkia kielitaidon merkitystä työntekijöiden urakehitykseen kansainvälisessä yrityksessä ja asiaa tarkisteltiin niin henkilön kuin yrityksen näkökulmasta. Lisäksi tutkimuksen tarkoitus oli selvittää onko kielitaidon vaikutus uraan holistinen. Koska tutkimusalue oli uusi, luotiin viitekehys yhdistelemällä kielitaito- ja urakirjallisuutta.

### Tutkimusmenetelmä

Tutkimuksessa käytettiin case menetelmää ja tutkimuksen kohteena oli ruotsalaisen monikansallisen yrityksen, Handelsbankenin, suomalainen yksikkö ja sen työntekijät. Empiirinen aineisto kerättiin haastattelulla ja laajalla kyselyllä. Näiden lisäksi käytettiin kirjallista aineistoa ja tutkija myös osallistui itse havainnointiin yrityksen tiloissa. Tutkimustulokset analysoitiin käyttäen hyväksi tutkimuksen teoreettista viitekehystä.

### Tutkimustulokset

Tutkimustulokset osoittivat, että henkilön kielitaidolla on merkitystä hänen urakehitykseen kansainvälisessä yrityksessä. Kielitaito vaikuttaa uraan myös muissa tilanteissa kuin rekrytoinnissa ja nämä vaikutukset voidaan jakaa muodollisiin ja epämuodollisiin vaikutuksiin. Kielitaitoisille työntekijöille avautui enemmän mahdollisuuksia uusiin erilaisiin tehtäviin yrityksessä ja joihinkin ylimmän johdon tehtäviin sujuva kielitaito oli jopa välttämättömyys.

### Avainsanat

kansainvälinen yritys, kielitaito, ura



## THE INFLUENCE OF LANGUAGE COMPETENCE ON INDIVIDUALS' CAREER PATHS IN A MNC

### **Purpose**

The study seeks to explore the influence of language skills on individual's career progression in a MNC. It aims to reveal if language competence affects careers in a holistic way, including individual and organizational perspectives. Since the field of research is relatively new, the theoretical framework is created by combining literature on language skills in MNCs and career theories.

### **Methodology**

A single case study was chosen as the method to conduct the study. The researched company, Handelsbanken, is a foreign-owned MNC unit in Finland operating in the banking industry. The empirical research was based on an interview, a survey and on the written material of the case company. Also, continuous observation was conducted during the research process. The study results were analyzed by using the theoretical framework of the study.

### **Findings**

The study showed that language competence influences careers in various ways beyond initial recruitment. The influence of language on careers may be noticed in the corporate practices or it may act subtly without any formalities. Therefore the influences of language on careers may be divided in formal and informal ways. The findings illustrated that more doors are open in the company for language competent employees and language skills are a must for some top managerial positions.

### **Keywords**

Language, career, multinational companies

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## **1 INTRODUCTION**

### **1.1 Background of the Study**

Globalization and the increasing number of multinational corporations, MNCs, have shaped the nature of careers. As a result, the needed competencies of employees in multinationals may become more demanding. Clearly, one significant competence needed in MNCs may be foreign language skills.

At present, in order to succeed and make a career in multinational corporations, individuals ideally possess knowledge of foreign languages. Language skills may affect careers in various forms. The influence can be seen e.g. through staffing policies: recruitment and foreign assignments. The increasing internationalization of companies underlines the relevance of diversified language skills. Employees need to work in multicultural teams and communicate in foreign languages with international clients and other subsidiaries. Thus, varied language learning is a major component in the education system of certain countries. E.g. European students need to have a comprehension of foreign languages already at the beginning of their studies. In the EU, the necessity of language competence is recognized: The latest Eurobarometer survey made in 2005 showed that already more than half of EU citizens can speak at least one foreign language (EUROPA). Whereas language skills accelerate mobility and thus employment in the European Union, the intention of the EU is that in every country two foreign languages will be taught in schools alongside native tongues (EUROPA).

The significance of language competence in recruitment can be seen in a quick look of Internet open job applications of Finnish MNCs (Kone, Nokia, Stora Enso Outokumpu, Ahlström). These Finnish multinational corporations' internet home pages were browsed because of their important degree of internationalization. In the internet job application, the candidate may choose from at least five languages

the ones he/she has knowledge in and also evaluate his/her fluency. Interestingly, many of the applications must be filled already in corporate language, which in these cases was English. Also, two surveys made by "Elinkeinoelämän keskusliitto" and "Talouselämä"-business journal show the importance of language skills in careers. The "Elinkeinoelämän keskusliitto" report from 2005 studies the need of companies for skilful employees in Finland. The survey shows the languages emphasized in recruitment situations by Finnish firms. The results are as follows: English over 80%, Swedish 65%, German and Russian 40%, French 20%, Spanish 14%, Italian 13% and Chinese 12%. These results demonstrate the variety of languages needed in Finnish corporations. Over 80% of the respondents stress the knowledge of English as a criterion in recruitment. In spite of its dominant role, knowledge of other languages is also vital. The demand for French, Spanish and Chinese has remarkably increased in comparison to previous surveys (Elinkeinoelämän keskusliitto, 2005). On the other hand this survey does not explain if the knowledge of foreign languages is essential or is language skill just an asset for the applicant in the recruitment process.

The other interesting survey carried out by "Talouselämä"- business journal in January 2006 shows similar results as the previous one. Here, 40 human resource managers of the largest Finnish companies answered which languages are needed in managerial level in their companies. The results were again diversified and they were as follows: English 39, Russia 29, Swedish 27, German 22, French 19, and Spanish 11. Based on these findings, it may be stated that a diversified language competence is essential for an individual in order to succeed in carving out a career in multinational corporations.

From the MNC's perspective, language skill management seems to be a crucial success factor. A study made by the British Chamber of Commerce (2004) shows, that there exists a correlation between the success in business of British companies and the value placed by these companies on language competence. Companies which placed the most value on language skills were able to increase their export sales by an average of 386.600 € a year per exporter, while the ones



which valued language skills the least, had declining export sales by an average of 66.600 € a year per exporter (ibid). Also, a survey made by the European Commission (2005) shows that a significant amount of business is lost by European companies due to lack of employees' language skills and disregard of language management. Across a sample of nearly 2000 businesses, 11% of respondents had lost a contract as a result of lack of language skills (Ibid). It is noteworthy, that this survey took into account only situations where companies were aware of the failed transactions, and therefore the real figure may be much greater. In the future, the need for language skills will increase even more because of the increasing number of cross-border acquisitions and mergers and therefore companies are likely taking a more informed approach to language management and to an integrated language strategy.

According to presented studies, recruitment may be considered as an event in which the language competence influences careers. However foreign language skills' impact on career progression may also be noticed beyond initial recruitment. Therefore, additional research is needed to examine the effects of language competence in careers in multinational corporations from the individuals as well as the organization's perspective.

## **1.2 Objective and Research Question**

The objective of this study is to understand the impact of language competence on careers in multinational corporations. The study aims to reveal if language competence affects careers in a holistic way.

Careers and career development are a widely researched area. For a long time previous studies argued that career paths were hierarchically structured (see e.g. Rosenbaum 1979), whereas now scholars stress the relevance of multidimensional careers in which individuals take more control over their own careers (Baruch 2004; DeFillippi and Arthur 1994) Lately, authors have focused on research of

careers in global environments and thus the importance of international careers has increased in the literature (see e.g. Cappellen and Janssen 2005; Suutari 2003). Authors Cappellen and Janssen (2005) and Suutari (2003) investigated the career paths of global managers who are committed to international careers for a longer term in a world without boundaries.

Foreign language competence in MNCs is a relatively new area of research among scholars. At present, due to globalization, the importance of language as a separate factor has gained more attention in the field of international business and multinational companies (see e.g. Piekkari 2006; Feely and Harzing 2003). The importance of languages in international operations, in multinational teams and in the communication between headquarters and subsidiaries is noticed and researched (see e.g. Feely and Winslow 2006; Dhir and Göké-Pariolá 2002; Charles and Marschan-Piekkari 2002).

Otherwise it seems that the combination of language skills and career development has not been studied by international human resource management researchers. Still very few articles mention the importance of language competence in career advancement (Piekkari 2006; Feely and Winslow 2005; Culpan and Wright 2002; Vaara et al. 2005). Piekkari (2006) claims it exists limited career options in the organization for employees who are not competent in a key language of the company. Also, Feely and Winslow (2005) state in their study of European MNCs that language skills offer enhanced recruitment and career prospects for individuals, while Culpan and Wright (2002) stress the fact that language skills open many doors for female managers. Vaara et al (2005) argued that language competence is a significant determinant of professional competence in the retail banking industry and that language competent employees gained more powerful positions in the company. In addition Fredriksson (2005) and Lahtinen (2000) stress the importance of language in career advancement as they study the language issues in MNCs.



Thus, there is a gap in research findings concerning how language competence affects career progression in a world without boundaries. The purpose of this study is to examine in a holistic way the effects of language competence on careers in multinational corporations, including individual and organizational perspectives. The study goes beyond initial recruitment and it investigates if language competence is a critical asset for an individual's career and if so, how does it affect the career progression of an employee without language skills. In addition, it explores how language skills are taken into account in HR practices.

Therefore, the research question is the following:

*Does language competence influence individual career progression within a MNC, if so, how?*

### **1.3 Definitions**

In this research, the following meanings need to be defined precisely: *careers, career capital, international career, language competence, language diversity, language strategy, multinational corporation* and *language* together with *home country language, host country language* and *corporate language*.

#### Careers

A definition of *career* used widely by researchers is introduced by Arthur et al. (1989): career is seen as “an evolving sequence of person's work experience over time”. Baruch and Rosenstein (1992) described a more modern definition of career as “a process of development of the employee along a path of experience and jobs in one or more organizations”. Career evolves around work, and work provides sense of purpose, challenge, self-fulfilment and income (Baruch 2004, 59).

### International career

The definition of *international career* has been considered differently in several studies (see e.g. Tams and Arthur, 2007; Suutari 2003). In some research, one international assignment is enough to define an international career whereas in other research, global managers, who only make a career in foreign countries, stand for the definition of an international career. Further to these definitions, in this thesis the term international career refers also to people who remain at home but operate in a multinational environment and travel on business frequently.

### Career capital

An individual's career capital consists of different competencies that may be helpful to one's career development. Career capital is seen in the context of the three ways of knowing by DeFillippi and Arthur (1994): knowing-how, knowing why and knowing-whom.

### Language

“The method of human communication, either spoken or written, consisting of the use of words in a structured and conventional way”

(The Concise Oxford English Dictionary)

*Home country language*, also known as the parent country language, is the language of the country of origin of an MNC and the *host country language* is considered as the language of another country where the company is operating.

*Corporate language* is the main language which has been adopted by the multinational corporation for internal communication. Generally, a corporate language is often a foreign language for the employees. In this study synonyms for company language such as “lingua franca” and “standardized language” are used.

### Language competence

*Language competence* is regarded as the ability to select a suitable language for the situation and to use it appropriately in any given context (Hymes 1967, in Lillis 2006). Language competence is the ability to apply the language, to understand different cultures and to create a desired social relationship in a multicultural environment. Language competence refers to the ability to speak, write, read, listen and understand another culture's language. In this study, synonyms for language competence, such as "language skills" and "language knowledge" are used.

### Language diversity

*Language diversity* is defined as the number of languages a company has to manage (Feely and Harzing 2003, 39). But it is not only the multiplicity of different foreign languages; language diversity also includes the various forms of language found in the workplace (Piekkari 2006, 537).

### Language strategy

Language strategy means managing the language diversity of a multinational corporation. A study by European Commission (2006, 3) defines language strategy as "the planned adoption of a range of techniques to facilitate effective communication with clients and suppliers abroad". In reality, only few companies have a defined explicit language strategy.

### Multinational corporation (MNC)

Czinkota et al. (1999, 395) define a multinational corporation as a firm which operates in at least two countries, generates at least one third of its overall revenues from foreign operations and controls and manages subsidiaries abroad. The degree of multinationality can be measured, for example, by the number and size of subsidiaries, proportion of assets, revenue or employment accounted for by its foreign subsidiaries (Piekkari, forthcoming).



#### **1.4 Limitations**

Since the field of study is new, the study requires some limitations to focus on the specific area of interest.

Firstly, focus of the study remains on the oral and written language competence of an individual and therefore non-verbal communication is excluded from the study. Also, it is recognised that language is often embedded to culture in several studies (Piekkari, forthcoming), however, this study concentrates on the language aspect and the other features of culture such as values, attitudes and perceptions are excluded.

Secondly, it is clear that there are several issues affecting an individual's career, such as personal life, motives, and environment among others, but this study concentrates solely on language skills as a career competence and its influence on individual's career progression.

Finally, the empirical part of the study is based on a single case analysis and, thus, the results of the study may not be generalized.

#### **1.5 Structure of the Study**

This study consists of five main parts: introduction, literature review, methodology, findings and conclusion. The first part above presented the background of the research, its objectives and the research question. The second chapter focusing on literature review is an essential part of this study in which past studies on language competence and careers are reviewed. In order to analyze the influence of language skills on careers in MNC, firstly the literature review studies the language diversity in MNCs and also organizations' language management approaches are researched. Secondly, the changing nature of careers is reviewed. This study focuses on the present career development model, but to



be able to understand the transition, both traditional and contemporary models need to be studied. After having identified the transition in career development and the increasing need for various career competencies, the review focuses on language competence as one career competence. Finally, the last part of the literature review has an integrative approach as it combines the key words of the study: language, career and multinational corporation. The summary of the review highlights the main findings of the literature and presents the theoretical framework. The third chapter presents the methodology of the research which is a case study approach and it introduces the different data collection methods. In the fourth chapter, the case company and the findings of the empirical research are presented and analyzed. The final chapter highlights the main findings, introduces the elaborated theoretical framework and presents some managerial implications and suggestions for possible future research.

## **2 LITERATURE REVIEW**

In order to be able to analyze the effects of language competence on careers, it is necessary to study first the language diversity in a MNC. The second part of the literature review studies the change in career development models and focuses on language skills as an important element of career capital. The third part analyzes the influence of language skills on careers in MNCs and finally, a theoretical framework based on the literature is developed and presented.

### **2.1 Multilingual multinational corporations**

This discussion takes place in the organizational context, in which the language diversity in a MNC is introduced and the need for language competent staff is analyzed. Also, the companies' approaches to language management are studied.

### ***2.1.1 Language Diversity in MNCs***

From an organizational perspective, a MNC is enriched by several languages and therefore language competent personnel are needed to ensure the effective communication. Thus it seems necessary to study the language diversity in MNCs and ways how companies can turn this language diversity into effective communication.

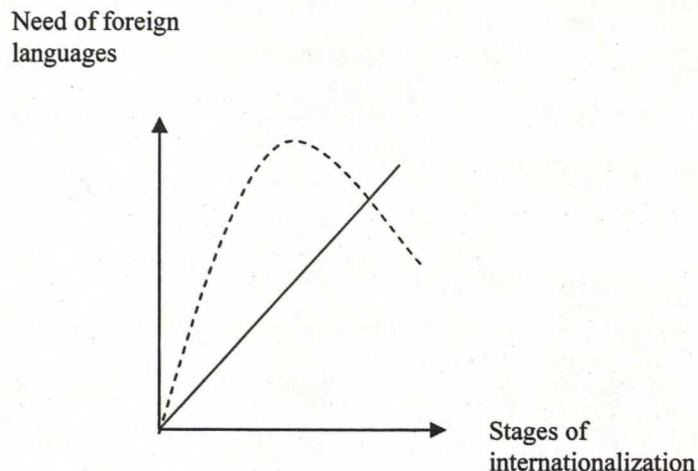
A MNC is characterized by various foreign languages: common corporate language, home country language and various foreign languages used in subsidiaries also known as host country languages. Because language diversity is defined as the number of languages in a MNC (Feely and Harzing 2003), first a brief discussion about international business languages is needed. English is adopted globally as the international business language, because of the importance of Anglophone markets, the economic power of the USA and the Internet (Piekkari 2006, 536). Interestingly, it seems that the importance of the languages of emerging markets such as Chinese, Hindi and Russian are increasing and that is why knowing these languages add value to individuals. According to Bloch (1995) other major international business languages are German, French, Spanish and Japanese. It can be argued that the use of different foreign languages in companies depend largely on their stage of internationalization and geographical location. For example a Canadian company exporting only to United States or a Finnish company having foreign operations only in Sweden do not struggle with same language issues as a globally operating multinational company does. Also, companies emerging from countries with a language well used internationally, such as English, can postpone language complications of international growth for some time by entering other English speaking markets (Marschan-Piekkari et al. 1999b, 378). However, companies internationalizing from small home countries with a globally insignificant language, e.g. Finnish companies, cannot use a home



country language approach in their international operations. Therefore these companies may consider their language strategy already in the early phase of internationalization.

As new international business structures evolve, the demand for language skills changes (Enderwick and Akoorie, 1994). This can be illustrated as a graph in Figure 1. The diagonal line of the figure describes, that when the firm moves forward in its internationalization process, the need for foreign languages increases as well. Furthermore, the demand for particular languages changes over the time in the firm. More new languages are needed when the firm spreads its operations globally, and it seems that the market value for earlier powerful languages e.g. English or the home country language of the company diminish. The curve line of the Figure 1 illustrates the decreasing value of a particular language after a certain period in the company.

**Figure 1: The importance of foreign languages in a MNC**



Source: Adapted from Palo (1997, 22)

It is safe to say that foreign languages have market values that change during time. Currently employees with only English language skills are losing their market value, because fluency in English is more or less nowadays a prerequisite

for employees of MNCs. But at present employees who are fluent in less commonly-taught languages such as Chinese and Arabic are highly appreciated among companies and therefore knowing these languages is a value-add in the job market. The demand for these uncommon business languages, Chinese and Arabic, is high at the moment, but for how long will this trend continue and what is the next language employees should learn to gain value among MNCs?

Clearly, the rate of increasing language diversity depends on the global network of the MNC, but the term *language diversity* refers not only to foreign languages that are used in the multinational company, but also to various forms of idioms (Piekkari 2006). Welch et al. (2005) divide these forms into three “layers of language”: everyday written and spoken language, company speak and technical or professional language. This complicates the evaluation of one’s language competence: one can be able to communicate in everyday languages, such as English or French, but might lack the ability to use company speak, such as acronyms and special terms, or professional jargon (Ibid 2005). On the other hand, Piekkari (2006, 538) states that in-depth knowledge of the professional language or company speak may compensate for the person’s limited skills in the foreign language itself. One may have the competence to operate effectively in a foreign language at the workplace even if he/she does not survive with the language outside the company.

This study on language diversity has shown that language skilled employees play a key role in the cross-cultural communication in MNCs. It can be argued that from the organizational perspective, language skilled employees are a necessity for the MNC’s success in global environment. Thus, it is necessary to study the organizations’ approaches to language management to ensure efficient internal and external communication of the company.



### ***2.1.2 Language Management of MNCs***

This discussion shows some issues a MNC needs to consider in language management. To manage language diversity in MNCs, the companies may need to define a language strategy. It provides solutions for the company to handle the multilingual environment and an effective language strategy may be profitable for the MNC in long term. However, too often MNCs ignore language strategy and they tend to muddle through communication problems in foreign languages (Marschan et al. 1997).

The key starting point for defining a language strategy is the *language audit* (Embleton, 1993; Charles and Marschan-Piekkari, 2002). Language audit helps the management of a firm to identify the strengths and weaknesses of their organization in terms of communication in foreign languages (Reeves and Wright, 1996, 5). This does not mean only employees communication with customers and suppliers from different countries, but also how the communication and control between headquarter and foreign subsidiaries can be managed so that the information flows correctly. As Reeves and Wright (1996) state, language audit reveals the current language knowledge of employees and introduces the identified need in different departments and tasks in the organization. In addition, it shows the needed input of training and investment in money and time (Ibid). As Embleton (1993, 33) states, the audit is best carried out by an independent language consultant who reviews the language requirements of the organization.

Also Dhir and Gòké-Pariolá (2002) analyze language planning in MNCs and the development of language policies. They identify how managing multilingual environment can be turned into a critical asset for MNCs. One of these solutions is to define a common *corporate language*. Basically, to avoid the language barrier and to facilitate the communication between headquarters and subsidiaries, the most logic solution of multinational corporations is to select one common corporate language that every employee is assumed to be able to use. Dhir and

Gòké-Pariolá (2002, 246) argue that organizations generally choose a particular working language which offers the most efficient economic means of knowledge creation and management within the context of the strategic management in which they exist and operate. Therefore, multinational corporations tend to choose standardized English-language approach, because of its importance in international business. The adoption of a common corporate language facilitates reporting between headquarter and subsidiaries, improve communication and it is crucial for knowledge transfer and sharing. In addition, a common corporate language creates a stronger sense of belonging to a global corporate family (Piekkari 2006, 536).

But obtaining a common corporate language does not fully resolve the language diversity in a MNC. It does not exclude the fact that there are several other languages used informally in the company. Besides, the corporate language is a managerial decision and therefore the implementation to the lower level employees may be difficult since it takes much more than an instruction from the management to establish a corporate language. The *lingua franca*, in other words the shared common company language, is often a foreign language for employees and thus the level of proficiency in the corporate language is likely to vary and lower-level employees are likely to speak only their local language (Piekkari 2006, 536). Thus, *lingua franca* does not assure effective communication in the multinational corporation and often in practice the multilingual approach is used.

Another issue that companies may need to consider in language management is *language training*. However, often companies offer language training without having a clear language strategy. Language training is aimed at enhancing the communicative skills of individuals to enable them to perform their primary skills more effectively in an international or overseas context (Embleton 1993, 34). At present, language training is not only a factor in expatriate management. Because language is more or less an everyday issue for all the employees of a MNC, the company should offer language training to all its employees who need foreign languages in their work. As Charles and Marschan-Piekkari (2002, 23) argue,



language training needs to be taken further down the company hierarchy. It is noteworthy that language skill needs vary in different positions. Some may need foreign languages in conversations with clients, while others need in meetings or communication with parent or subsidiary company. As well some employees need foreign languages daily, while others may need less frequently. Therefore, it is important that the organization offers language courses that meet the needs of its employees. As Reeves and Wright (1996, 4) believe, language courses are ineffective and lack focus on the needs of the individual and the organization if they are not tailor-made. Besides, language training is too often seen as a hobby (Charles and Marschan-Piekkari, 2002) and by tailoring the language courses this may be prevented. Finally, tailor-made language courses are certainly a higher return on the investment for the company because they meet the need of the employees better than a general language course. Besides, from an individual's perspective, language training may be important for career development (Lahtinen, 2000, 120, 122).

But it may be argued that the benefits of language training are not in the near future. It takes time for an employee to become capable of working effectively with a foreign language. As Piekkari (forthcoming) states, the actual amount of time will vary depending on each individual's aptitude and motivation to learn. Thus, existing language skilled employees are a necessity for the company. Reeves and Wright (1996) suggest that companies should make better use of existing language skilled employees and this may be done when the human resource department keeps a record of the staff's language skills. This way the language strategy of the company would be again more effective. In addition, companies should define language competence levels required in every position, because, as mentioned earlier, the need for foreign language skills varies along with job specifications in different jobs. This would be helpful in recruitment situation and it would help the company to realize when selective recruitment may be needed. Naturally, selective recruitment is relevant when considering the company's language strategy, but this occasion will be discussed later in this study when dealing with the influence of language to individual's career.



A well planned language strategy eventually means investments, such as time and money, for the MNC, and the results are not seen in the near future. No evidence to support, but it may be that in the long-run, when evaluating the benefits of language skills to the company, an effective language strategy may have a positive link with the company's performance. In other words, from the MNC's perspective language competent employees may be very important for the profitability of the company.

This section has presented the multilingual environment of MNCs and the approaches companies may have to manage their language diversity. Next, the discussion moves to career theories and analyzes language competence as a part of career competencies.

## **2.2 Careers**

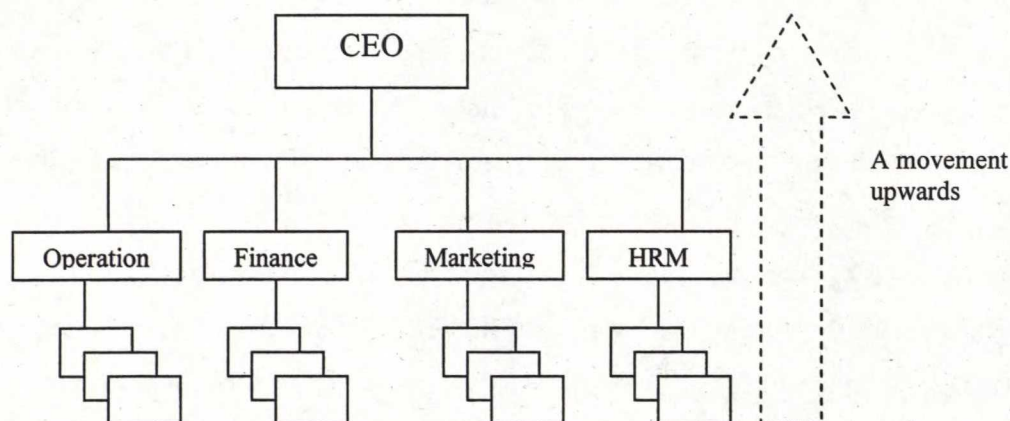
The aim of this second chapter of the literature review is to analyze career development and career competencies. Firstly, the changes of career development from traditional to contemporary models are discussed. Secondly, the career competencies are introduced and the significance of language competence in these career development models and in career capital is analyzed.

### ***2.2.1 Career Development: From Traditional to Contemporary Models***

In order to understand the changing nature of careers, it is necessary to explain the transition that career development in organizations has faced from traditional to contemporary models. For years, the traditional view of career has been dominating individual's career development in organizations. This traditional career path was based on hierarchical structure and the career advancement was linear (Figure 2). People were expected to serve one organization for their entire

career. Career success was evaluated via the rate of upward mobility and external indicators of achievement, e.g. salary and social status (Baruch 2004, 60). Baruch (ibid, 2004) stresses that people progressed up the hierarchy until reaching their level of incompetence. In this model, the organization was in charge of its employees' career development and the individuals did not have chance to develop their competencies. Career advancement, which always met promotion upwards, was rare and the criterion to advance was mainly based on the employee's tenure in the organization. In other words, the individual's competencies such as foreign language skills did not play a vital role in one's career advancement. In this manner language skills did not influence careers. It seems that the language skilled workers in these organizations at that time were more or less the top managers who were in these positions because of their social statuses in the society. It is also noteworthy to mention that not many multinational corporations existed when the traditional model took place and therefore the language diversity of organizations was not as present as today.

**Figure 2: Organizational chart and vertical career paths**



Source: Adapted from Baruch (2004, 64)

The next step in career development models was the Schein's cone model which was introduced in the late 1970's. This career theory represented already a major



shift from the traditional model: the career path was no longer only linear. Movements between different functions within the company were possible when climbing up the organizational ladder (Baruch, 2004). Still, these movements were inside the same organization and the employee was expected to serve one and only employer. Considering this model from the language skills perspective, individual's language competence may be appreciated more than in the previous model. The organization may have moved employees to different functions in which employees' language skills were needed and as a result the language skills had influenced the career development of the individual.

However, in the mid 1990s researchers introduced much richer perspectives for individuals' career development (DeFillippi and Arthur, 1994; Hall, 1996). Globalization, massive redundancies, restructuring and outsourcing have modified companies' needs for workforce; more supplemental employees are wanted and less core employees are hired. At present, organizations are not able to offer anymore job security for individuals, because the organizations are influenced by their continuously changing external environment (economical, political, technological and social environment). Therefore, individuals had the need to start navigate their own careers and this phenomenon has transformed the nature of careers. Today, individuals have different types of careers and different ways of defining career success. Nowadays the career development is dynamic and multidirectional, which means that career development does not necessarily mean a promotion upward. Also a movement downward, sideways or in a new environment may experience as career advancement (Baruch, 2004). This contemporary career model represents flexibility, alternative career arrangements and gives individuals the possibility to search for opportunities also outside the organization as well as abroad. Careers are no longer shaped by organizations; individuals have the possibility to take action and choices for their own career development and the organizations role is to provide opportunities and resources for individuals to develop themselves. Career success for individuals is no longer only quantitative measures e.g. income and rank, but also qualitative measures such as satisfaction, life balance and autonomy (Baruch 2004). In addition, the



incentives for a career move are different than those in the traditional model. Certainly, when individuals have the possibility to navigate their careers, they take advantage of their existing competencies or develop new ones, and for that reason different career moves are possible. Thus, in this contemporary model, language skills may be considered as one competence which may influence career development.

The Table 1 summarizes the differences between the traditional and contemporary career models. Finally, it can be stated that the differences between old and new career development models are relevant.

**Table 1: Traditional model vs. contemporary model**

	<b>Traditional model</b>	<b>Contemporary model</b>
<i>External Environment of the organization</i>	Stabile	Dynamic
<i>Career development lies with</i>	Organization	Individual
<i>Workplaces during the career</i>	One organization	Several organizations
<i>Years in one job</i>	Many	Few
<i>Employer give</i>	Job security	Investment in employability
<i>Career advancement criteria</i>	Tenure in the organization	Results and knowledge
<i>Career Direction</i>	Linear	Multidirectional

Source: Adapted from Baruch (2004, 66)

This “new career” concept has been defined in different ways e.g. *protean career* (Hall, 1996), the *boundaryless career* (DeFillippi and Arthur 1994) and the *intelligent career* (Arthur et al. 1995, Poulsen and Arthur 2005), which is the evolved definition of the boundaryless career.

Hall (1996) presented the concept of *protean career*, in which the goal is psychological success, not vertical success (making it to the top) as it used to be. The career is driven by the person, not the organization, and it will be reinvented by the person from time to time, as the person evolves and the environment changes (Ibid, 8). The new career concept means also continuous learning to gain more career competencies and language competence may be considered as one of these competencies in MNCs.

DeFillippi and Arthur (1994) introduced the term *boundaryless career*, which describes also this new model of career. They discuss that the withdrawal of hierarchical structures in organizations has opened more possibilities for individuals to develop their career. No limits exist and the individual may plan his/her career within the organization or beyond. The “intelligence career” is an evolved concept of “boundaryless career” and it is viewed from a competency-based perspective. Arthur et al (1995, 9) defines that intelligent careers are the fundamental units through which people’s and firms’ competencies evolve over time. The forms of knowledge are changing in response to shifting environmental, employment and personal variables. In other words, employee’s personal competencies reflect different forms of knowing and intelligent careers reflect the application of these forms of knowing as people respond to the career opportunities implicit in the competency-driven investments of companies (Ibid). The concept of intelligent careers provides a way for individuals to personally navigate their careers and, at the same time, it allows organizations to gain a better understanding of the diversity of their employees (Poulsen and Arthur, 2005, 79). Individuals’ forms of knowing are divided in *know why* (values, attitudes, internal needs, identity, and life style), *know how* (skills, expertise, capabilities, tacit and explicit knowledge) and *know whom* (networking, relationships, how to find the



right people) (Baruch, 2004, 61). These forms of knowing will be discussed in the next chapter.

Now that the transition of careers is discussed, it is necessary to take a closer look at these “forms of knowing” in one’s career capital. Especially, the language competence as one career competence is continuously analyzed.

### **2.2.2 Career Capital**

There is no doubt that the boundaryless world of careers has increased the level of needed career competencies. In order to advance in career and to make a difference from other candidates, the employee needs to possess a powerful career capital. Next, it will be studied how foreign language skills may benefit career capital augmentation.

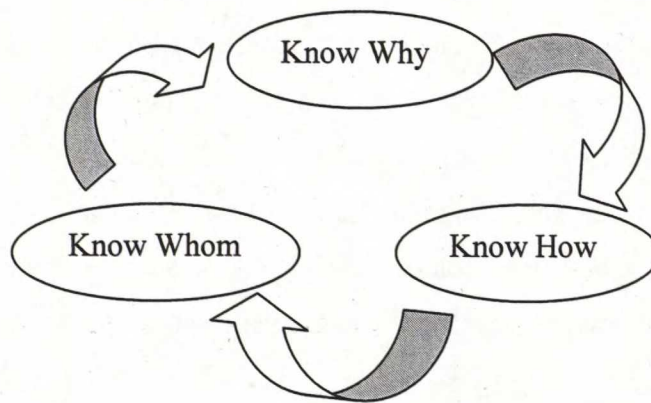
Individuals’ career capital consists of different ways of knowing (Dickmann and Harris 2005, 400). DeFillippi and Arthur (1994) divide these career competencies as follows: *knowing-why*, *knowing-how* and *knowing-whom*. According to DeFillippi and Arthur (1994) *knowing how* reflects work-related knowledge and career relevant skills. They consist of explicit knowledge, soft skills and technical expertise (Dickmann and Harris 2005, 400). The interplay between knowing how competencies of the employee and company know how will reflect people’s attempts to expand or change their work arrangements and to enhance future career opportunities and employability (Arthur et al. 1995). *Knowing-whom* competency reflects career relevant network and a set of interpersonal relationships. The interplay between knowing whom competencies and the company network will reflect people’s pursuit of personal support, access to information and reputation building in their careers (Arthur et al. 1995). The third career competence, *knowing-why*, consists of career motivation and personal meaning (DeFillippi and Arthur 1994). In consequence, the interplay between employees’ knowing why competencies and company culture will affect the



company's future and employee's future career choices, adaptability and commitment (Arthur et al., 1995)

This division of individual's career competencies is relevant in this research, because the influence of language competence may be seen in all of these three components: *knowing how*, *knowing whom* and *knowing why*. It may be argued that one of work-related and career relevant skills in *knowing how* competence is foreign language skills. This can be noticed in a research on expatriate women managers carried by Culpan and Wright (2002). They mentioned the importance of foreign language skills as a career competence. The research results indicated that managers who were fluent in foreign languages constituted 54.3 per cent of the respondents and all of the women in managerial position stated that they spoke at least one foreign language fluently (Culpan and Wright 2002, 790). Based on these findings, it may be stressed that language competence is an important variable in international managers' careers. The second career competence that is important for this research is *knowing-whom* as it is based on networks. Linehan (2002, in Cappellen and Janssens 2005) studied in his research that business networks are crucial for promotion in one's career path. Networks cannot be built without social interactions, where language plays a major role. From this perspective, the existence of foreign language competence is also significant as it may increase individuals' network internationally. Also, Culpan and Wright (2005, 794) stated in their study that "language fluency improved relationships with people in the host country and language opened many doors for women managers". The relationship of social networks, language competence and career advancement are studied further in this research. The last dimension of career competencies, *knowing why*, can be also seen as a component in which foreign language skills have its impact. Since, this career competence is based on an individual's personal motivation to obtain the desired career path, foreign languages play a relevant role when the individual is planning an international career. In this case, a foreign language is already a part of career motivation of an individual, because it acts as facilitator in the desired international career path.

**Figure 3: Interdependence of career competencies**



Source: Poulsen and Arthur (2005, 78)

Furthermore, these three ways of knowing are interdependent as shown in Figure 3. Poulsen and Arthur (2005) illustrate this statement by an example of foreign language skills:

“A love of travelling might lead you to want to study languages: *knowing why* to *knowing how*. Once you start learning a language, you might want to meet with people from another culture who speak that language: *knowing how* to *knowing whom*. Meeting people from another culture might lead you to explore new career possibilities that you would not have anticipated before: *knowing whom* to *knowing why*.”

(Poulsen and Arthur, 2005, 77)

Based on these findings on career competencies and considering the changing nature of career, it appears that foreign language skills play an important role on individuals' careers. It seems safe to say that language competence is crucial for the development of individual's career capital.

## 2.3 Language Effects on Careers in MNCs

In this last chapter of the literature review, the effects of language competence on careers are analyzed. Foreign language competence affects career paths in MNCs in various forms. The influence of language skills in recruitment decision as well as in corporate language is studied. Also, language skills play a significant role in social interactions and in foreign assignments, which are relevant for career advancement. Moreover, language competence tends to offer strategically important positions for employees in MNCs and overshadow the professional competences of employees lacking language skills. In addition, language competence may reflect employee's salary, which may be considered career development. In this study, the influences of language competence on careers have been divided in *formal* and *informal* influences. This division is based on the literature review as it shows that these *formal* influences may be recognized in the company practices and they are noticed in previous studies by the researchers, while the *informal* ways are events that appear without the company's direct involvement.

### 2.3.1 Formal Influence of Language on Careers

In this study formal influence of language on careers is regarded as something that is established in the company policies and therefore it may be assumed that language skills have a direct impact to employee's career. The literature review shows that *recruitment*, *foreign assignments*, *corporate language* and *remuneration* are factors where language affects careers formally as presented below.



### *2.3.1.1 Recruitment*

Individual's career in a company starts with a successful job interview and thus it is necessary to understand the influence of foreign languages on company's recruitment policy. Lester (1994, 43) states on his article on foreign language competence that "the easiest and cheapest way to approach the language problem is to hire people already possessing the required skills". Also, Piekkari et al. (2005, 339) stress that recruiting individuals with sufficient language skills is a solution to costly and time-consuming language training of existing employees. In addition, Feely and Winslow (2005) noticed in their study of European MNCs that many organizations found that acquisition of language skills is time-consuming and therefore expensive, both in terms of lost productivity and cost of training. Eventually, this approach is used worldwide by several MNCs and therefore language ability is one of the selection criteria used in recruitment process.

Today, the requirements for foreign language competence in MNCs are not related only to upper management level and expatriates as it may have been earlier when companies were hierarchy based. At the present, greater numbers of employees, who are based nationally, are working and communicating abroad daily; in other words are having an international career. Thus, it seems that the language ability may be required in any position in the organization. The importance of language competence in recruitment process can be noticed in a research made in 1993 by the Deutsche Bundesamt (Bloch, 1995). The survey introduced a list indicating what employers want from graduates (Ibid, 1995). Foreign language skills were ranked at the second place. Also, other issues where language competence is crucial, for example having lived or worked overseas or obtaining a foreign degree, were appreciated among employers. Furthermore, the findings of the study made by Feely and Winslow (2006, 24) show that all companies interviewed agreed that language skills are added value skills for individuals and they open doors for better promotion prospects and are also

adding value for the employer in terms of competitive advantage. In addition, their research showed that the companies interviewed would like to prefer a job applicant with language skills, since (1) personnel with language skills are more readily trained in other languages; (2) they tend to be more internationally minded and (3) they fit more easily into the multilingual environment (Ibid, 26). Noteworthy, even if the respondents were aware of the benefits of a language skilled worker, only few employers considered foreign language skills as a requirement.

These previous examples of language skills and recruitment were from the organizational perspectives, but the influence of language on careers can be noticed also from an individual's perspective. Interestingly, as Piekkari (forthcoming) states, a MNC's key languages may influence individual career paths through self-selection. A language competent individual may apply for a company which common corporate language he/she knows and thus evaluate his/her chances to be recruited. Moreover, the corporate language may act as a barrier for an otherwise professional employee to not apply for a certain organization in the fear of not being accepted because of the lack of language skills. Also, the existing employees of the company who do not possess the needed language skills may need redeployment or even become redundant because of the selective recruitment (Feely and Harzing, 2003).

Even if the importance of language competence is noticed in recruitment decisions, yet, it seems that more weight in recruitment decision is put on professional competence than language competence. Enderwick and Akoorie (1994) argue that a number of companies in their study indicated that they would not recruit employees solely on the basis of language skills. Also, Fixman (1990, in Marschan-Piekkari et al. 1999b, 382) found that foreign language skills play only a second role in recruiting and career progression. No doubt, it may be argued that language skills are easier for an individual to learn than professional skills and thus the role of language ability is often ignored in the recruitment process. But, Fixman (1990, Ibid) and Enderwick and Akoorie (1994) studied



Anglophone companies and perhaps the findings would differ in a non-English speaking country. According to Enderwick and Akoorie (1994, 7), in most native English-speaking countries employment opportunities for business and language specialists remains limited and language ability is not rated highly among the skills valued in applicants in international business. As stated earlier in this research, this may be due to the monolingual approach of English-speaking companies when internationalizing.

The question which rises is how significant the multinational corporations see language skills and how much they are willing to put effort into it? When recruiting individuals without sufficient language skills, the company faces additional costs as well as loss of time in achieving the necessary foreign language skills base (Welch et al. 2006, in Piekkari 2006). The real cost of recruiting individuals without adequate language skills is difficult to measure, but it is researched that companies may even lose business opportunities because of it (European Commission, 2006; British Chamber of Commerce, 2004). Therefore, the importance of language skills related to recruitment must not be underestimated.

#### *2.3.1.2 Foreign Assignments*

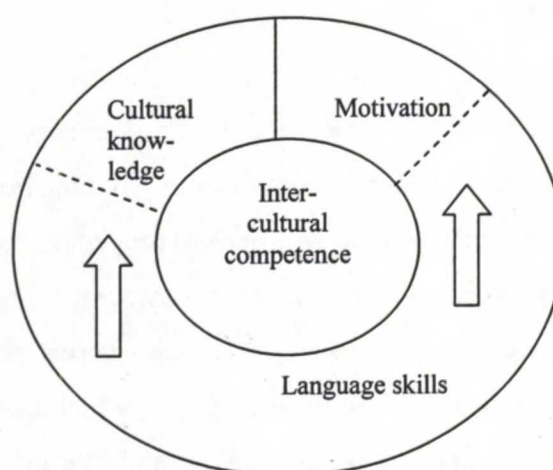
Multinational corporations use international assignments to enhance communication between units, to maintain control of international operations, and to transfer knowledge and organisational practices across units (Suutari, 2003). From the individual's perspective, international assignments may be seen beneficial for individual's career progression, because international experience give people the possibility to acquire competencies from which they can develop more successful careers (Tams and Arthur, 2007; Stahl and Cerdin, 2004).

Beside technical and professional skills, it seems that foreign language competence is a crucial element in managing internationally. Recently,



researchers have suggested also other skills to be considered in the selection of expatriates. For example, Gordon and Teagarden (1992, in Culpan and Wright 2002) emphasize the importance of relational skills and personal traits, such as intercultural competence, in the selection of expatriates. But it may be argued that this mentioned element, intercultural competence, may not be possible without the knowledge of foreign languages. Johnson et al (2006,530) defines intercultural competence in international business as a set of cultural knowledge, skills and personal attributes in order to work successfully with people from different national cultural backgrounds. Matveev and Milter (2004, 106) introduced a similar division of the components of intercultural competencies: sufficient cultural knowledge, skills and individual's motivation and interest toward intercultural interactions. By "skills" Matveev and Milter (Ibid, 106) mean the ability of a team member to understand and communicate, which clearly is language proficiency. Thus, it may be argued that language competence has an effect on the other dimensions of intercultural competence as shown in Figure 4. Individual's language skills may enhance the cultural knowledge and the motivation to interact in a multilingual and multicultural environment.

**Figure 4: Intercultural competence model**



Source: Adapted from Matveev and Milter (2004, 106)

However, language skills are one path to intercultural competence, but not the only path. One may be culturally sensitive even if he does not have language skills. But no doubt, language skills facilitate the learning of intercultural competence. Thus, intercultural competence is not likely to be successful without foreign language competence.

In addition, the inability of managers to appreciate the cultural challenges of doing business overseas has been advanced as a primary cause of international business failures (Johnson et al., 2006, 525). Therefore, it seems safe to say that individual's language ability is a relatively important selection criteria used in international assignments. However, Culpan and Wright (2002, 787) state that, in general, US companies have put more emphasis on technical and professional skills than on language competence in the selection of expatriate managers. Clearly, this may be explained again by the standardized English approach of multinational corporations, which make the integration of native English speakers to the foreign subsidiary easier. Also Harzing (1999, in Feely and Harzing, 2003, 42) found that as a consequence of the internationality of the English language, American companies rely less heavily on expatriates than companies that have other languages.

Interestingly, Dickman and Harris (2005, 407) found in their empirical study that while the organization saw international assignment as good for global career, most individuals did not concur. The problem occurred in repatriation, while employees could not use their skills in the position they returned to after their international assignments. On the other hand, Suutari and Brewster (2002, in Suutari 2003, 189) noticed in their study of Finnish expatriates that 68 percent of repatriates worked on a higher organisational level after the international assignment while only 12 percent reported negative career effects. Therefore it may be stated that international career competencies, such as language competence, of repatriates do not always have positive influence on their careers in the same organization. According to Suutari (2003), the majority of expatriates are willing to leave their organization after repatriation and such a career move is



easy for managers with international experience, because of the competitive skills they have acquired. It may appear that one of such competencies is the foreign language competence and the ability to work in a multilingual and multicultural work environment, in other words possessing intercultural competence. This phenomenon describes clearly the model of modern career development, in other words the boundaryless career path. Thus, it may be argued that language skills play a significant role in the career development of international managers.

### *2.3.1.3 Corporate Language*

As Marschan-Piekkari et al. (1999b) argue, in order to promote in the company, it is essential to learn the common company language. Also, the findings of the research by Feely and Winslow (2006, 22) show that career progression within the company is remarkably influenced by the ability to communicate effectively in the corporate language. Their study was based on European MNCs where the corporate language was English except in one organization. This argument can as well be proven with a research on a merger of a Finnish-Swedish firm carried by Piekkari et al. (2005). The authors find that lacking language skills might act as a “glass ceiling” for career advancement. In the studied company, the introduction of a standardized corporate language, Swedish, acted as a barrier for some Finnish employees’ career development in the organization. At the same time, the lingua franca favoured language skilled employees and these individuals were able to gain better positions in the firm (Ibid, 2005). Another significant finding in this “glass ceiling” effect is that an individual’s ability to perform may be restricted by limited company language skills. It may be particularly challenging for managers to carry out performance appraisal of employees with whom they do not have a shared language (Piekkari 2006, 541). In other words, individual’s other career competencies than language can be hidden behind the language barrier and thus affect on career advancement of otherwise highly capable employees. In the research of Piekkari et al. (2005), the professional competence of Finnish employees was hidden behind the language barrier and the employees were

regarded to be underperforming in contrast to their Swedish colleagues who were fluent in the corporate language. Therefore, the influence of corporate language on individuals' careers is not only an issue in the future career. The lack of corporate language may also disturb the performance of the current job as well. In worst case, this may mean the retention of employees without sufficient language skills.

Eventually, it seems that in many multinationals, where a common corporate language is adopted, career progression may depend largely on the individual's proficiency in that corporate language.

#### *2.3.1.4 Remuneration*

Career success may also be measured in increasing personal revenues. For example, the better the salary, the more the employee has achieved career progression. As language skilled employees tend to have a special role in MNCs, organizations should evaluate whether these employees should be rewarded for their language skills. Similar suggestions gave Lahtinen (2000) for rewarding individuals who acquire language skills. Also Marschan-Piekkari et al. (1999a) stress the importance of rewards when an employee is investing in language competence because of one's crucial role in the communication in the organization. However, too often a person's qualitative abilities such as foreign language skills may not necessarily be highly appreciated in the organizations (Piekkari, forthcoming), thus, the importance of language competence in remuneration may be disregarded.

Fry and Lowell (2003) investigated whether bilingual employees in United States enjoyed earnings premiums. The results indicated that, on average, bilingual workers earned more than English monolingual workers (Ibid). However, the independent contribution of language competence to earnings seemed to be very little significant and the organizations did not appear to value highly the language skills its employees possessed. Other variables such as education influenced also



the earnings. Moreover, the authors stated that language skills may boost earnings in particular positions and stressed the importance of language skills in jobs dealing with international actors. Their research cannot be agreed from a global perspective, because again it was based on an English speaking country and as the authors also recognised the dominant role of English in international commerce.

### ***2.3.2 Informal Influence of Language on Careers***

In this research informal influence of language on individuals' careers is something that takes place silently and it is difficult to identify. In this literature review, two informal influences of language on careers were observed: language-based strategic positions and personal networking of language competent employees.

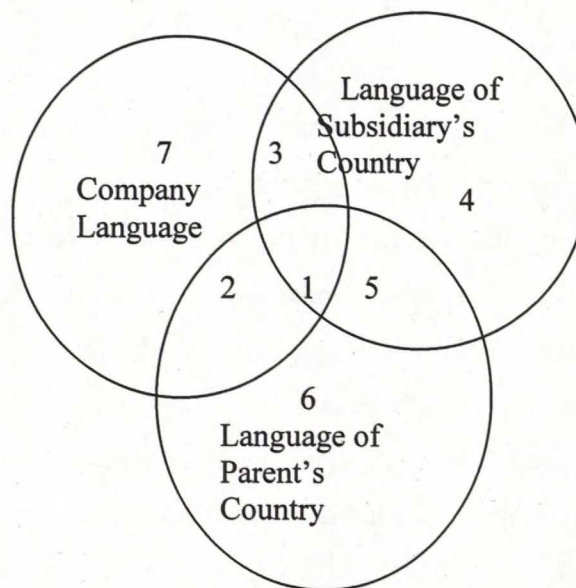
#### ***2.3.2.1 Strategic Positions of Language Competent-Staff within the MNC***

An employee who is able to communicate in key languages of the MNC may gain a strategically important position in the company compared to colleagues lacking language skills. From the individual point of view, these strategic positions may be seen as valuable career advancement.

On the basis of a research on Kone Elevators, Marschan-Piekkari et al. (1999a) stress the power of language skills in a MNC as illustrated in Figure 5. Their study on the power of language in the communication between headquarters and subsidiaries needs to be also taken into account in this research, because it stresses clearly the positioning of language competent staff in MNCs. Certainly, there exist various combinations of language knowledge when the company expands its operations globally and decentralizes its control to several subsidiaries, but Figure 5 shows clearly the basic influence of language in a MNC between headquarter and subsidiaries. The employee, who has acquired the knowledge of all three

languages, has the most language related power. This position is situated in area 1. Even though this situation is the most valuable, it is also the most uncommon combination among the employees.

**Figure 5: The power of language**



- |   |  |
|---|--|
| 1. Speaks all three languages             | 5. Speaks parent and subsidiary language |
| 2. Speaks parent and company language     | 6. Speaks only parent language           |
| 3. Speaks company and subsidiary language | 7. Speaks only company language          |
| 4. Speaks only subsidiary language        |  |

Source: Marschan-Piekkari et al. (1999a,432)

Employees situated in the area number 1 are also known as *language nodes*. Language nodes are people who are comfortable to operate across several language interfaces, such as the common corporate language, the host country language and the parent country language (Piekkari 2006, 540). But a person may be considered as a language node in the company, even if he/she has only one additional language than the other colleagues in his/her unit that is relevant for the



company's performance. Therefore in this study a language node is an employee with more language skills than the employees of the company on average. From the organizational perspective, companies may become heavily dependent on these language nodes in the absence of sufficient language competent staff and if companies find language training as an enormous financial or time investment.

Language nodes receive and deliver the information in the organization and therefore the possession of relevant language skills may lead to a strategic position in the MNC. This position is more powerful than the post holder would normally have. As the contemporary career development model indicates, this movement to the strategic position may be upwards, sideways or downwards in the organizational chart. Language nodes do not only transfer communication between subsidiaries, but they also may get more responsibility in their task than they normally would have. Furthermore, the monolingual staff in units may be heavily dependent on these language nodes. It seems that the language skilled employees are not officially appointed to these positions; they tend to obtain it unobserved. Thus, it can be argued that language skilled employees may be appointed to new positions that, from individual perspective, may be seen as career progression.

Here, the career advancement for the individual in strategic position may occur in a psychological way, meaning the feeling of being important to the company, or it may occur in a concrete way when the language competence reflects in the salary of the individual. In a longer-term, this strategic position may also open more doors for the employee inside the company: positions where the employee will be officially appointed because the employee has gained higher visibility among his/her supervisors due to his/her language skills that are remarkable for the organizational performance.

### *2.3.2.2 Personal Networks*

Scholars seem to agree that social networks are essentials to the career development of an individual (e.g. Fernandez and Weinberg, 1997; Podolny and Baron, 1997; Ibarra, 1995; Burt, 1980). In addition, as stated earlier, personal networks are seen as a relevant career competence for one's career development. Moreover, individuals need social interaction in order to build networks and therefore sharing the same language is essential to the creation of networks (Piekkari, forthcoming). Thus, language skilled employees may be able to develop large and crucial networks for purposes to advance one's own career in MNC or beyond the boundaries of the firm. This phenomenon was found in the research of Vaara et al. (2005) where language skills lead to the creation of new social networks among the employees. These language-based networks shared valuable information and knowledge among their members.

On the other hand, employees lacking foreign language skills face the social exclusion and therefore are unable to participate in formal and informal communication in the organization. This may lead to the fact that individuals lacking language skills are not able to build vital social networks for future career.

Social networking may be also a result of interpersonal similarity. Mäkelä et al (2007) state that people have a tendency to interact with others whom they perceive as similar and a shared language is a strong factor facilitating such interaction. Thus, people with similar language backgrounds can form informal groups inside the MNC, exchange information and then later use these sources for career advancement. Also, Victor (1992) claims that language may carry social implications of belonging to a group. This may take place e.g. among Swedish speaking Finns or French speaking Canadians as they represent the minorities in their countries. These individuals may create powerful language-based social groups inside the organization because of their minority languages among the all



employees of the organization. These social networks may be useful for career purposes.

Interestingly, Fernandez and Weinberg (1997) studied the importance of personal contacts in recruitment in a retail bank. The findings revealed that the applicants with a particular contact in the bank tend to have foreign language skills when compared to all the applicants and these language competent candidates were more likely to proceed to further levels in the recruitment process. Knowing a particular person in the company and a foreign language increased the chance of an interview by 15 percent (Ibid, 894). Furthermore, the authors introduced a possibility that personal contacts provide advance information on characteristics such as interpersonal skills or oral communication (Ibid, 900). These arguments stress the importance of language skills and its influence on careers through social networks.

So far, this literature review has studied the influence of language competence on careers from the individual and organizational perspectives. Next, the conclusion part will discuss about the main findings of this literature review.

## **2.4 Summary and theoretical framework**

This being the concluding chapter of the literature study in which all the reviewed literature is brought together. The aim of this chapter is to reveal the main findings of the literature and present them in a theoretical framework, which will be used when analysing the result of the empirical research.

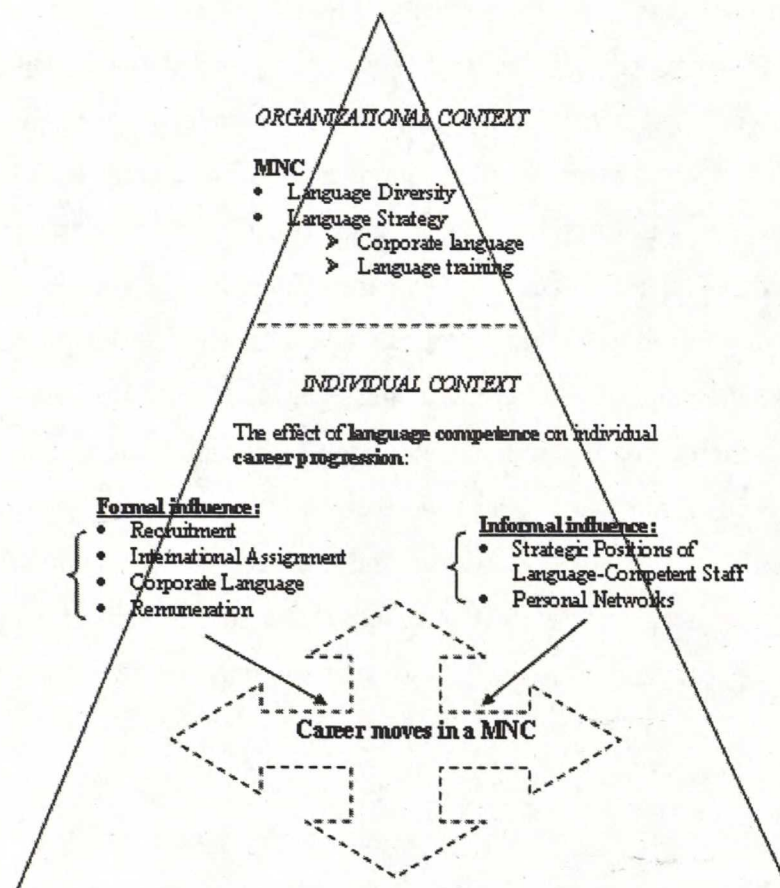
The research question of this study was the following:

*Does language competence influence individual career progression in a MNC, if so, how?*

This study has shown the influence of language competence on careers in MNCs. The literature on language competence and on careers showed the positive effect of language proficiency of employees on their careers. Clearly, language skills open up opportunities that would not otherwise exist. For individuals, language skills may open doors to interesting career paths and for companies, language competent staff may open doors to global markets.

A relevant interpretation of the study was that the influences of language competence on careers may be divided in formal and informal ways as shown in Figure 6. The following paragraph will briefly discuss this framework of the study.

**Figure 6: Theoretical framework of the study**





From an organizational perspective a MNC is enriched by several languages: the home country language, corporate language and host country languages. MNCS have different approaches to manage their language diversity in order to perform better in the global market. However, not all organizations have an explicit language strategy. The literature review showed that organizations tend to choose among others a corporate language for the internal communication and offer language training to their employees for better job performance. Nevertheless, the presence of existing employees with adequate language skills is relevant as language training is often seen as a heavy investment for the company.

In addition, individuals' career development in MNCs has changed during the last decades. Formerly, career progression was regarded as a movement upward in the organizational chart of one company. Employees were expected to serve one organization through their career life and the possibilities to advance in one's career were limited. But at present, a success in career may be experienced differently. A movement upwards is not anymore the only way of recognizing career success; an individual may also consider a movement sideways or downwards as advancement in one's career. Besides individuals no longer serve only one organization but may work in several organizations during their career life. Also the number of international assignments has increased and careers are becoming more international, meaning that individuals may have international careers even if they are based in their domestic country. This new career development model has increased the needed career competencies among individuals. The literature review analyzed the importance of language as one career competence and it revealed that language may strongly influence the career capital.

Interestingly, the literature review revealed that language competence may affect career paths in various forms and therefore the interconnection between language and career may be divided in *formal* or *informal* ways as the Figure 6 illustrates. It may be argued that in formal influence language competence is defined in the

company practices and it influences directly individuals' career paths. On the other hand, the informal influence of language on careers occurs unconsciously and, finally, it may have a strong influence in one's career.

Firstly, recruitment is seen as a formal way of language skills influencing individuals' careers. Based on the examples of the literature review, it can be argued that the language proficiency may be a prerequisite in recruitment processes in MNCs. From the organizational perspective, recruiting language competent personnel is a tool to eliminate time and investment on language training. Clearly, the needed language ability depends of the applied task: for some position only the proficiency in corporate language may be enough, while in other positions daily operations are international and more foreign languages are needed. Even if language competence is listed as a selection criterion in recruitment, still it seems that the priority is given to professional skills. Therefore, language skills may be seen more as a way of securing instead of obtaining a good position in the organization.

Another approach in which language competence affects formally in careers is international assignments. Language competence may be defined in company policy as a requirement for candidates applying for foreign assignments. As the literature review demonstrates, many companies still rely on technical and professional skills and therefore ignore the relevance of language competence in international management.

The literature review shows that language competence influences career advancement also formally through company language. Lacking knowledge of the common corporate language may have serious effects on one's career development. The employee who is professionally competent may not be able to advance in the organization due to the lack of skills on the standardized company language. The lack of language skills may hamper employee's career advancement in the organization and it may interfere with present job as well.



Furthermore, it appears that career progression may be an increase in individual's salary. In the past, salary was considered as one of the most important measures of career development. At present, different incentives affect individual's career success but still salary plays an important role in career progression. Therefore the possible premium for additional language competence may be regarded as career development.

In addition, language competence may influence careers through social networks and it may offer strategic positions for language competent personnel as the Figure 6 illustrates. These are named as informal ways, because they do not influence directly through company policies. Language skills facilitate individuals to build networks that may be crucial in their career development. These social networks may be powerful sources of information and monolingual employees may find themselves socially excluded. Moreover, strategic positions of language skilled employees are seen as informal career advancement. Individuals, who have a good knowledge of relevant company languages, e.g. the knowledge of the standardized company language, home country language and subsidiaries' languages, are extremely important employees for the MNC. Therefore, language skilled employees may unofficially find themselves in strategically important positions, which are more powerful than the one's they would otherwise have.

In conclusion, based on the existing literature it may be argued that the language skilled employees enjoy better career opportunities inside an organization as they maintain a relevant career competence that enables them and the company to better performance. On the other hand, lacking language skills may act as barrier to career progression in a MNC for monolingual employees.

This section has presented the current literature based on the topic of the research and introduced a theoretical framework of the study. Next, the methodology for the empirical research is presented.

### 3 METHODOLOGY

This chapter introduces the methodology used in the study. It describes how the empirical study of this thesis was conducted, which research method was chosen and it includes a description of data collection. It also explains the choice of the case company. In addition, the data analysis is presented and finally the validity and reliability are examined.

#### 3.1 Research Method

A single case study was chosen to answer the research questions and to apply the theoretical framework which was developed on the basis of the literature review. Yin (2003) suggests that when the type of the research question is in “how” or “what” types, a case study is the most appropriate research method.

The research question of this study is the following:

*Does language competence influence individual career progression inside a MNC, if so, how?*

The research questions are in how-form and therefore the use of a case study as research strategy was the appropriate for the current research. Also, this method was chosen because it supports an in-depth analysis of the phenomenon which was not yet researched. Moreover, a case study research is convenient as the focus of the study is to explain causality of language competence to an individual's career development.

The author wanted to have a deep understanding of the unexplored subject of the thesis and therefore it seemed relevant to combine various methods of collecting data. The aim was to give a holistic picture of the influence of language on careers and thus using both quantitative and qualitative methods helped to analyze the study from different perspectives.



The order for collecting data in this study was sequential. This means that the different methods followed each other in the research process (Hurmerinta-Peltomäki and Nummela, 2004). In this research, qualitative data was collected first in order to revise the questionnaire and to acquire pre-understanding before collecting the quantitative data. Both quantitative and qualitative data are reported in the study.

### **3.2 Choice of the Case Company**

The focus of this study was on the influence of language competence in career development in MNCs and the target group was employees that needed languages in their work. Therefore, a multinational company with language diversity in its operations was needed.

Firstly, Handelsbanken was an essential case company for the research as currently it is in the stage of internationalizing its operations worldwide. Clearly, the significance of language skills of employees increases in the internationalization process.

Secondly, Handelsbanken was an ideal case company for the research, because it is a foreign-owned MNC unit in Finland. It is a company with a foreign parent country language for Finns and the level of this particular language strongly varies among its Finnish employees. Also, the domain itself is interesting from the language point of view, since English is more or less seen as the global language in financial industry. Certainly, the need of various languages differs from task to task in the company and therefore it is interesting to evaluate the influence of language skills to work and career performance.

An additional aspect for choosing Handelsbanken as the case company was the previous knowledge that the author had of the company. Having worked at

Handelsbanken for several years, the author had paid attention to the need of foreign languages in the company.

At Handelsbanken Finland, the research project was first introduced to Human Resource department and they were interested about the actuality of the topic for the company. Once the Human Resource manager had approved the project, she helped on searching interesting units and expatriates for the questionnaire. The cooperation with the human resource department was indeed valuable, because it motivated the employees to participate in the research.

### **3.3 Data collection**

In this study multiple sources of data was used. According to Eisenhardt (1989, 534) case studies typically combine data collection methods such as archives, interviews, questionnaires and observations. This study combines quantitative and qualitative data from questionnaires with qualitative evidence from interviews and observations.

The primary resources of this research were the interview with the Human Resource Manager and the questionnaire which was sent by e-mail to several employees of Handelsbanken from different units and levels of the organization. Direct quotations were used both from the interview as well as from open-ended questions of the questionnaire. The open-ended questions were in English, but the direct quotes from the interview were translated in English by the researcher herself. All the information which was considered valuable for the study was quoted. Also, the quotes of the open-ended questions illustrate the organizational level of the employee and, in addition, it is stressed if the quoted employee was on foreign assignment.

The secondary resource used in the research was observation, which is also seen as one of the strengths of a case study (Yin, 2003). The observation was



conducted daily at work and the author had also the possibility to participate to a language training course offered by the company. Furthermore, other relevant sources of additional information such as annual reports, company's job advertisements, intranet and employee magazines were essentials in the collection of empirical data.

### ***3.3.1 Interview***

According to Yin (2003), interviews have been argued to be one of the most important sources of case study information. Therefore the interview with the Human Resource Manager of Handelsbanken Finland was the first collection of data. The interview was important in order to familiarize the researcher with the company's language policy and to generate ideas for the following questionnaire.

A pilot interview was not conducted, but the interview questions were reviewed with the supervisor of the Master's Thesis, in order that all the relevant questions were included. The interview with the Human Resource Manager was conducted and recorded in January 2008. Recording was helpful, because it was possible to concentrate solely on the discussion. The interview was held in Finnish and it took place in the company's Finnish regional headquarters. The Human Resource Manager did not receive the questions beforehand, only a version which shortly presented the purpose of the interview (see Appendix 4). By not sending the full questions in advance, the researcher secured that the answers were not reviewed and that the interviewee answered informally. Even if the researcher made an interview guide for herself and for the interviewee, it was not consistently followed all the time.

The questions for the interview for the Human Resource Manager were built on the basis of the theoretical framework of this research and the questions focused on language management and career development in Handelsbanken from the organizational perspective. But as the interviewee has been in various positions in

the company before her current managerial position, it was extremely interesting to also have examples from her own experiences as a professional employee. This made the interview very flexible and therefore the researcher used the interview guide more or less as a checklist. All in all, the interview with the Human Resource Manager provided vital information.

### ***3.3.2 Questionnaire***

The questionnaire was the other primary resource and it represented a mix of quantitative and qualitative data of the study. The standardized questionnaire was mainly based on multiple choices and statements in which the respondents had the possibility to tick the appropriate box in each question (see Appendix 5). Closed questions were chosen as the method, because it facilitates analyzing the data. Ghauri and Gronhaug (2005, 128) state that with open-ended questions one may end up with enormous variations in answers that would make coding or categorization difficult or almost impossible. "Don't know" and "no comments" alternatives were not included in the questionnaire, this way the respondents had to take a position. In addition few open-ended questions were included and finally this qualitative data was extremely valuable information for the researcher. The questionnaire followed a logical order, from general to specific questions. The questionnaire was divided in four sections: (1) Personal information; (2) Language skills; (3) Language skills and job performance; (4) Career development and language skills. The questionnaire measured the importance of language skills in employees' daily work at Handelsbanken and how relevant language skills are for their career. The purpose was also to receive information about employees' attitudes toward language policy of the company e.g. language training, promotion and remuneration.

A pilot test was done for fellow students and the professor in the Master's Thesis seminar to evaluate the understanding, the level of difficulty and the time spent



filling the questionnaire. Some modifications, such as changing most of the questions into statements, were done and a second pre-test was carried out for five employees at Handelsbanken. This time the relevance of the questions seemed to be in order and no significant changes were made.

In the end of January 2008, the questionnaire was sent by e-mail to 130 employees of Handelsbanken who were randomly selected from the company's telephone directory. Furthermore, the researcher used her proper company email to attract more employees to answer because she herself was one of the employees of Handelsbanken. This surely increased the willingness of the employees to participate in the research. In order to obtain different answers, it was preferred that respondents would represent various organizational levels and departments. In addition, employees with good language skills, with limited language skills and also expatriates were considered as interesting respondents for the questionnaire. The departments were chosen randomly in the organization. Only the names of expatriates in various countries were given beforehand by the Human Resource Manager due to the unawareness of the author of the Finnish employees in foreign units. The researcher decided to make the questionnaire in English, because it seemed to be the most reasonable choice. Firstly, English is considered as the language of the banking industry. Secondly, the mother tongue of most of the employees in researched unit is Finnish or Swedish and therefore English was considered as the most neutral language for the questionnaire in order to avoid discrimination. The cover letter for the survey (see Appendix 5) was also written both in Finnish and Swedish, so that the host country language and parent country language were respected.

The researcher got 99 fully completed answers in one week, so the response rate was as high as 76 %. The respondents were from different departments as the Appendix 1 indicates. They also represented different organizational levels what enriched the results. Table 2 represents the gender diversity and the number of respondents at different organizational levels. Because the organizational chart of Handelsbanken is democratic and flat, the question concerning organizational

level was not seen appropriate to ask in the questionnaire. The researcher herself was able to divide the participants into different organizational levels because of her work experience in the company. The level of decision making and the number of subordinates managed influenced the division in different organizational levels. Thus, top management in this study refers to the members of the management team that make strategic decisions for the company. Middle management refers to employees that are in leading positions; manage people and reports to top management. Professional employees are educated and experienced analysts, specialists and advisers. Finally, entry level position refers to employees in customer service and assistants. Entry level positions are certainly strategic positions for Handelsbanken's performance since customer service is one of the main added-value activities in the banking domain.

**Table 2: Respondents at different organizational levels**

	Female	Male	Total
Top management	12	17	29
Middle management	5	3	8
Professional employees	28	22	50
Entry level position	10	2	12
Total	55	44	99

As it can be noticed, the division between organizational levels was interesting. Most of the respondents were professional employees of the company and also top management represented an important part of the respondents. This division indicated valuable and different answers from the respondents.

### **3.3.3 Observations**

The observation played a key role in the data collection as the author is one of the employees in the company herself. Therefore direct and participant observation at



the workplace was possible continuously during the research process. Moreover, the author had the possibility to participate to Swedish language training in the company.

#### ***3.3.4 Other Sources of Data***

Additional essential sources were annual reports of Handelsbanken and internet homepages. They served to familiarize the researcher more with the Group. Also, previous and current job advertisements for various jobs were used to analyze the importance of language skills in various positions in the organization. Some direct quotes from the job advertisements were also used in the research. Further, informal discussions with employees were essential sources of additional information.

#### **3.4 Data Verification**

The recorded interview with the Human Resource Manager was transcribed and the transcription was returned to her for data verification. In addition, the copy of the presentation of Handelsbanken was also sent to her for some additional data. This formality ensured that the researched had well understood the content of the interview and the business activities of the company.

#### **3.5 Reliability and Validity**

*Reliability* has to do with the accuracy of a measurement procedure and therefore it aims to minimize the errors and bias of the research. Yin (2003, 105) states that to increase the reliability of the research, the author should maintain a chain of evidence. This means that a later investigator should arrive to the same conclusions as the earlier researcher if the exact same procedures are followed (Ibid). Thus, all the procedures in this study were well documented by the

researcher. The interviews were tape-recorded and transcribed word by word. Moreover, the research is built in a way that if another investigator repeats the procedures he/she should arrive at the same results.

*Validity* is the extent to which a test measures what the study actually aims to measure. The validity of the study can be increased by the use of multiple sources of evidence (Ibid). This was the case in this research, because several different sources such as interviews, the questionnaire, observation and documentary material were used. These different data sources supported each other and thereby strengthen the validity. Yin (Ibid, 36) also argues that another tactic to increase the validity of the research is to have the draft report reviewed by key informants. In this case, the draft version of the findings was sent to the HR Manager for the review, which strengthened the validity of the research.

## **4 FINDINGS**

This chapter presents the findings and analyzes them on the basis of previous research and the theoretical framework presented in the literature review chapter. Yet, before the research findings, the case company will be briefly presented.

### **4.1 Presentation of the Case Company**

The company information is mainly based on the Annual Report and Annual Review of 2007 and 2006 and on the information provided on company's internet sites: [www.handelsbanken.com](http://www.handelsbanken.com), [www.handelsbanken.fi](http://www.handelsbanken.fi) , [www.handelsbanken.se](http://www.handelsbanken.se).

Handelsbanken is a global bank which offers a complete range of financial services such as traditional corporate transactions, investment banking and trading as well as consumer banking including life insurance. In 2006, the operating profit of Handelsbanken was SEK 17.2 billion, highest ever, and the return on equity

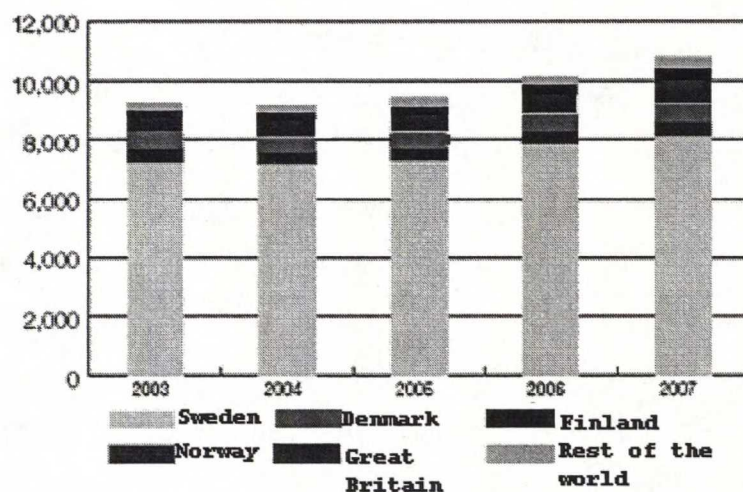


was 20.9% (Annual Report, 2006). Today, Handelsbanken is one of the most solid and profitable banks in Europe.

The bank was founded in 1871 under the name Stockholm's Handelsbanken. The bank held fast a strong position among Stockholm banks and a few years later Handelsbanken's shares were listed on the Stockholm stock exchange. Several acquisitions of other national banks took place from the beginning of the 20<sup>th</sup> century until the 1950's. The internationalization process started in the 1970's when representative offices in financially rich districts, such as New York, Singapore, Luxembourg, Frankfurt and London were established. In the 1980's, the positive changes in Swedish currency regulations increased internationalization of Swedish banks and, therefore, already in the late 1980s, Handelsbanken had built up its international operations with branch offices and subsidiaries in several countries. These foreign units mainly provided corporate services, hence, the next step was to expand the successful Swedish model and to offer complete banking services in foreign markets. Geographically and culturally, the other Nordic countries were the first foreign markets to enter. Since then, the company has continued its rapid and successful expansion to other foreign markets and at present, Handelsbanken is the most international Nordic bank (Annual Review, 2006). During the past 20 years, Handelsbanken has opened over 130 branches outside Sweden and purchased 30. At present, the company has banking operations in 19 countries and representative offices in 4 countries (see Appendix 2). For the future, the goal is to increase the number of markets where the Bank can conduct profitable full-service banking operations.

The total staff of the Group is 10 500 (Annual Review 2007). As the Table 3 shows most of the employees are located in Sweden. The other Nordic countries and Great Britain employ each around 600 individuals. In addition, 260 employees are working in different offices in the rest of world. All in all, around 25 % of Handelsbanken's employees work outside Sweden (Annual Review, 2007). Due to the fact that the company is rapidly expanding its operations, the total number of employees in foreign units is expected to increase yearly.

**Table 3: Average number of employees**



Source: Handelsbanken Annual Review (2007, 14)

#### **4.1.1 Businesses**

The universal banking services are the main business of the company and the company maintains a large branch office network. In 2006, the branch operations represented almost 70 % of the operating profit (Annual Report, 2006). Outside Sweden, Handelsbanken provides complete banking operations in Denmark, Finland, Norway and Great-Britain. These regional banks are run by using the same concept as in Sweden: to provide complete banking services with a higher service level and at lower cost than its competitors (Annual Review,2006). Each of these countries has its own Regional Head Office that supports the work of the branch offices in different cities of the country. Each branch office is responsible for all customers (individuals and corporate) within its geographic area. The branch managers of each office report directly to the Head of the Regional Bank.



In addition, Handelsbanken has branches and representative offices in 17 countries outside Nordic countries and Great Britain (see Appendix 2). These operations are run by the unit *Handelsbanken International* which was established in January 2007. The foreign markets represent a great potential for Handelsbanken over a long period and therefore *Handelsbanken International* is also responsible for new international establishments. The aim for *Handelsbanken International* is to increase the number of foreign markets where the bank can establish activities. Generally, the growth in foreign markets starts with offering local corporate and private customer services at low risk and when the critical mass has been reached in a country, more complex businesses such as asset management and investment banking are added to the business activities. In the near future, Handelsbanken is planning to expand its universal banking operations to Germany, Poland, Russia, Netherlands and France. In addition, *Handelsbanken International* is also responsible for trade finance, export finance and project finance.

Next, the other businesses of the company are briefly presented:

*Handelsbanken Capital Markets* is a full-service investment bank and an integrated part of Handelsbanken. Its areas of operations are complete solutions, corporate finance, equity trading, fixed income and foreign exchange trading and structured products, in other words: all areas in investment banking. It employs more than 900 persons in seven cities in the world: Copenhagen, Helsinki, London, New York, Oslo, Singapore and Stockholm.

*Handelsbanken Asset Management* provides a broad range of asset management products and services to institutional and private customers. It combines equities, fixed income instruments and alternative investments. Operations are conducted in the Nordic countries and in Great Britain, Luxembourg, Switzerland, France, Spain and Singapore (Annual Report, 2006). This segment comprises also *Nordic custody services*.

Also, Handelsbanken has subsidiaries that are integrated in the Bank's business operations:

*Handelsbanken Finance Plc.* is a wholly-owned subsidiary of Handelsbanken and it offers a full range of local finance company services via Handelsbanken's branches in Sweden, Finland, Norway, Denmark, Great Britain and Poland. The financial services provided are investment finance, card services, debt collection and direct sales finance in collaboration with retailers.

*Handelsbanken Fonder* is also a wholly-owned fund management subsidiary of Handelsbanken and the company has fund management operations in Stockholm, Luxembourg, Oslo and Helsinki.

*Handelsbanken Liv* provides a complete range of life insurance products for occupational and private pensions and asset protection schemes for companies, organizations and private individuals (Annual Review, 2006). The unit is among the market leaders in its field and it operates in Sweden, Norway and Finland.

Handelsbanken is a strongly decentralised organisation. The bank has a large branch office network and each branch is responsible for all customers within its geographic area. The regional banks have their own boards and a high degree of independence. In other words, the foreign subsidiaries and branch offices enjoy highly autonomous and independent positions. The decentralisation simplifies the organisation, provides flexibility and each branch has clear areas of responsibility. The most important means of control in this strongly decentralized organization are the corporate policy and also an effective financial control system and a central credit policy (Annual Review, 2006).



#### ***4.1.2 Handelsbanken in Finland***

This research was based on Finnish employees of the company. Most of the respondents in the current empirical research are from Handelsbanken Finland, but the internal survey was sent also to Finnish expatriates located in different foreign branch offices and to Finnish employees that are permanently working in foreign offices, but are originally from Handelsbanken Finland.

In 1985, Handelsbanken entered the Finnish market when a representative office was opened and five years later a subsidiary was formed. In 1995, Handelsbanken acquired the healthy parts of Skopbank, which was declared bankrupt. At the same time, it decided to open several branch offices in the biggest cities in Finland and in 1998 the Regional Head Office was formed.

The Regional Head Office of Handelsbanken Finland is located in Helsinki. The following functions belong to the facilities of the Regional Head Office: Handelsbanken Capital Markets, Handelsbanken Asset Management, Handelsbanken Finance Plc., Handelsbanken Liv and Handelsbanken Fonder. Also, internal functions for finance and control, administration, and personnel are located in the Regional Head Office. In addition, Regional Bank Finland is also responsible for the Bank's operations in the Baltic States. Furthermore, Handelsbanken Finland has 44 bank offices in the biggest cities of Finland and it employs more than 660 persons (30.9.2007). According to several surveys, the brand name Handelsbanken has the strongest value in Finland among private and corporate customers (EPSI Finland, 2007).

Next the discussion moves to the language diversity of the Group and its approaches to manage the multilingual environment.

## 4.2 Language Diversity

“Your research is really current, because we are linguistically in a period of change”

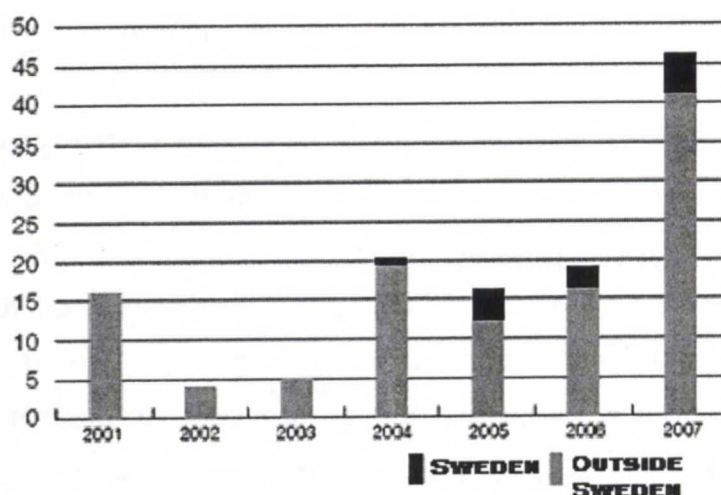
(Human Resource Manager)

As all the MNCs, Handelsbanken is also enriched by several languages: corporate language, home country language and various foreign languages used in subsidiaries. After an analysis of the company, it can be stated that Swedish and English are the major everyday languages of the Group. In the foreign units, the role of local languages is certainly also important. Marschan-Piekkari et al. (1999b) state that companies can postpone language complications when they first expand to foreign markets with similar language backgrounds. This approach may be noticed also in Handelsbanken's strategy, when it first entered to Nordic markets where the company's home language, Swedish, is spoken. Swedish was chosen as the language for knowledge transfer and sharing, for reporting and for all the collective material inside the Group.

The further Handelsbanken has gone with its internationalization process, the more different languages are involved as Handelsbanken has expanded its operations to several foreign markets outside Nordic countries that do not share together a common local language. Therefore nowadays also English plays a relevant role in the Group. Firstly, this is due to the fact that English is considered as the international business language of the industry and, secondly, Swedish acts as a language barrier in the inter-unit communication between headquarters and several foreign branch offices. Table 4 illustrates the increasing number of new branches established outside Sweden:



**Table 4: Number of new branches**



Source: Handelsbanken Annual Review (2007, 8)

Currently, Handelsbanken is present in 20 countries and therefore also the local language approach is needed. The host languages of each of these countries are used to communicate with local customers and among the employees of the local unit. In addition, it is noteworthy that there will always be domestically oriented departments in each subsidiary such as internal auditing and legal affairs, in which only local language approach is possible.

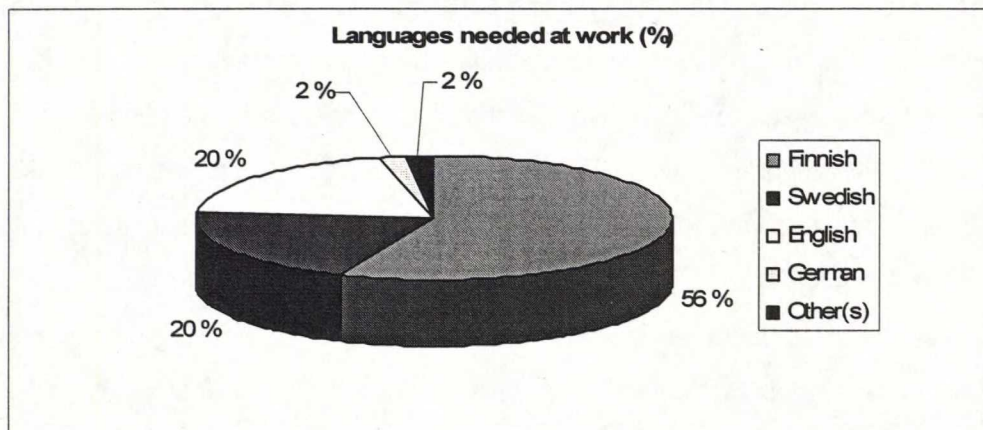
Based on these arguments, it may be stated that the company is linguistically diversified and that the importance of Swedish, the parent country language, has decreased as the company has expanded its operations globally. However, the findings show that the bank still heavily relies in the use of Swedish in communication as one of the respondents of the survey commented:

“In question of language, we are still a Swedish bank, not an international bank, i.e. English as company language. The need to rethink this is coming nearer every day...”

(Top manager)

Overall, it seems that foreign languages have a vital role in the company: According to the survey, 87.4 % of the respondents use foreign languages daily in their work. In addition, the needed foreign languages among employees vary. This indicates also that language diversity exists within the company. Table 5 shows the division of language skills needed at work by the respondents. The question in the survey was built so that the respondent had the possibility to select his/her choices among several language options. In the table only the languages that had valuable influence on the results are shown. In other words, languages with low answer rates are excluded. The “others” include French, Chinese, Russian and Spanish among others.

**Table 5: Languages needed at work**



These results indicate following: Firstly, even though most of the respondents (85 %) are working in Finland, employees use on average only 56 % Finnish language at their work. This means that they use foreign languages almost half of their time at their workplace. However, some levels need foreign languages more than others (i.e. expatriates) but this Table 5 introduces the importance of language skills in the company. Secondly, the importance of both Swedish and English seems to be equal. Swedish language is used in Finland when contacting the headquarters in Sweden, when socializing with Swedish speaking colleagues or when serving a Swedish speaking customer, whereas English is adapted more or



less as the main language in the financial industry and therefore the presence of English is seen in the daily work of several units at Handelsbanken.

Also, the survey investigated the current level of language skills of the employees (see Appendix 3). The definition of good language skills in this research is based on the argument of the HR Manager of the Finnish subsidiary:

“At Handelsbanken adequate language skills mean that you can manage your everyday work, you can serve customers in their language and you can keep contact with foreign units”.

(Human Resource Manager)

On average, the respondents had good language skills in Finnish, Swedish and English and average skills in German or French languages. Also, the employees mentioned having some skills in various other foreign languages. All in all, it seems that the employees of Handelsbanken possess relatively good language skills. The language skills of the employees of Handelsbanken meet the Eurobarometer survey, where more than half of EU citizens can speak at least one foreign language (EUROPA). Besides, in Finnish educational system, all the students need to learn at least English and Swedish as foreign languages. In addition, it is noteworthy that the employees were highly educated: 69.2 % had a university degree. This reflects the fact that the highly educated employees have been able to acquire more foreign language knowledge at school for a longer period.

Interestingly, the results indicate that the percentage of respondents that are good in English (87.5 %) is higher than the percentage of respondents that are good in Swedish (51.4%), when the native Swedish speakers were excluded from the results. Yet, it is to be noted that these results are based on respondents' self-estimations and the results of language skills could differ if they would have been evaluated by an official language test. However, this finding is interesting, when considering the importance of Swedish in the company. These lower percentages of “good” Swedish skills make the reporting of Finnish employees to headquarters

in Sweden questionable. Even though Swedish might not be the strongest language of all employees in the Finnish subsidiary, in Finland the message to headquarters always needs to be conducted in Swedish:

“We assume that the Finnish employees are able to communicate with the headquarters in Swedish”

(Human Resource Manager)

This behaviour may be more or less country-based and related to the courtesy and the cultural issue of Finland being a bilingual country. Sweden and Finland share a common social history and there is still a Swedish-speaking minority in Finland. On the other hand, the high percentage of employees with good skills in English, illustrates the dominant role of English as the global language in the financial industry. The general importance of English as today's language of business was also noticed in several statements:

“English is the most important language to know. Knowing other languages could be a positive thing, but from my point of view not necessarily a must”.

(Professional employee on foreign assignment)

Based on the previous arguments, it seems safe to say that language diversity exists in this case company as in every multinational corporation. Several employees stated that language skills are an essential part of their work and it would be impossible for them to operate without. Thus, the lack of language skills hampers the task performance of the employees at Handelsbanken. In this section, it is important to also study how the need of language skills vary in different positions of the company and, that is why, this will be discussed next.

#### Language skills needed in various positions

It seems that at Handelsbanken Finland, the language skills needed differs in various positions. Besides Finnish, the daily work needs more or less Swedish and



English as mentioned earlier (see Appendix 1), but also some temporary projects may need other foreign languages in Finnish units as these statements illustrate:

“Right now I am working on a project where all the work is in English and French”

(Professional employee)

“Some understanding of Danish and Norwegian is also important in this organisation”

(Top manager)

The results show that languages are differently emphasized at Handelsbanken. Firstly, English has a major role in some units and it may be used even more than the local language Finnish. Employees in units such as Capital Markets, Corporate Finance, Custody Services, Cash Management and Foreign Payments mentioned the importance of English in their daily work and stressed that English was chosen more or less as the working language of their unit. This finding is similar with the research of Vaara et al. (2005) of a Nordic bank, where English was the natural choice of working language in some units even though the corporate language of the researched company was Swedish. The following statement illustrates the importance of English in everyday work of professional employees in the unit of Corporate Finance:

“Language knowledge, especially English is essential to this business. The way our operation has been planned and practiced, one would not be able to work here without that competence. Our clients are from abroad as well as other market parties we need to deal with on daily basis”.

(Professional employee)

This argument stresses also the importance of languages on individual's task performance: one would not be able to work in the unit without adequate language skills. Interestingly in these particular units, such as Corporate Finance and Capital Markets, some Finnish speaking professional employees even reported that they do not need Swedish at all. However, this argument may be criticized, because as mentioned later in this study, some valuable internal information in the

company is only presented in Swedish and the communication with headquarter is still in Swedish.

Moreover, in some units fluency in Swedish is heavily emphasized. E.g. administration of unit such as Handelsbanken Fonder is based in Sweden and therefore daily reporting in Swedish is needed from Finnish employees. Thus, these employees stressed the importance of Swedish in their daily work. Also, the need for Swedish skills may differ from the geographical perspective. The employees in the small branch office of Vaasa, a Swedish speaking city in western Finland, use naturally more Swedish than the employees working in Lappeenranta, a city in eastern Finland, where Russian skills are emphasized. In this case, the languages needed at work depend largely on the clientele in that particular geographical area.

Secondly, the results indicated that the mother tongue of the employee influences the language most used at daily work. The employees with Swedish as their mother tongue use more Swedish than their Finnish speaking colleagues in their daily work. This was noticed for example in the case of units presented above (Corporate Finance, Capital Markets...) where employees needed mainly English in their work. However, their Swedish speaking colleagues argued that more Swedish is needed than English. This may be due to the fact that the Swedish speakers are strategically positioned. They may need to do all the work where Swedish skills are needed in their unit.

Finally, most of the employees on international assignments argued that besides Swedish and English they need the local language of the target country in their everyday work. However, the need for Swedish skills in their position was quite remarkable. This may be due to the fact that also the reporting from these foreign units is done in Swedish to headquarters.



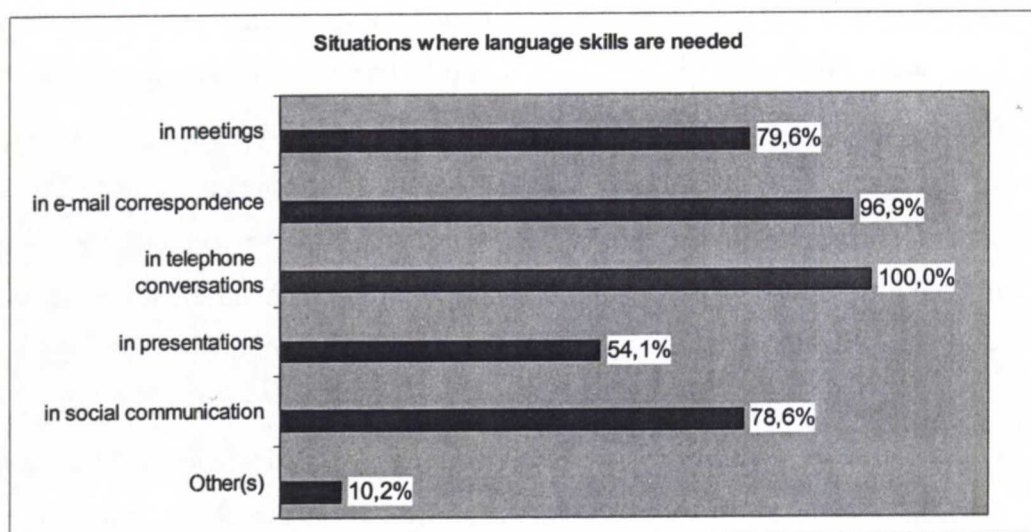
In addition, the study showed that foreign languages needs differ in the context of oral and written expression. The following statement from a Finnish expatriate from the financial department of the Handelsbanken UK illustrates this fact:

“For financial reporting purposes language skills are two fold. You have to master written text in Swedish and in English in order to understand the Group instructions. Oral skills and confidence in talking do not matter that much. For other line of work you would probably need to be more confident on the oral expression”.

(Top manager on foreign assignment)

Table 6 introduces the different contexts in which employees need foreign languages. Telephone conversations and email correspondence seem to be the most common situations in which language skills are needed. But the presence of foreign languages in meetings and in social communication is also remarkable.

**Table 6: Different contexts where language skills are needed**



The respondent also mentioned the need for language skills when preparing or reading written material, in corporate training and when filling different forms for foreign agencies. Also, the employees of Handelsbanken Finland need foreign

languages when participating to projects where the other party is a foreigner and does not represent the bank:

“I am working on a project where all the phone meetings are done in English because there are few people involved who have the know-how of the business, but their fluency in Swedish varies and therefore we chose to communicate in English”

(Human Resource Manager)

In addition, the survey revealed that employees in distinct organizational levels need foreign languages in different contexts. However, the importance of languages in e-mail correspondence and in telephone conversations was noticed in every organizational level. The results illustrate that employees in entry positions are more or less officers or assistants and therefore need Swedish and English skills mainly while serving customers face-to-face, via e-mail or by telephone. Professional employees and individuals in managerial levels need language competence in more complex situations, because the foreign languages are present also in meetings and presentations in their daily work. In addition, the need of language skills in social communication was remarkable among top managers. No doubt, the expatriates also stated that foreign languages were needed in every situation presented above. Based on these results, it seems that the individual need language skills in different contexts the higher one's position is in the company. In managerial positions, the individual may need to master foreign languages in different and more complex situations than an entry level employee. This phenomenon will be discussed later in this research.

This section has presented the language diversity of the company from the organizational and individual perspective. Based on the presented arguments in this section, it seems safe to say that the case company is linguistically diversified and the needed foreign language skills vary among the employees in different positions and in different levels in the organization. Next, the company's approaches to language management are analyzed.



### 4.3 Approaches of Handelsbanken to Language Management

Contrary to the arguments of Embleton (1993) and Charles and Marschan-Piekkari (2002), Handelsbanken has not done a language audit to define the language strategy. This may be due to the fact that the company has not earlier considered itself as a multilingual company. At present, when the company has operations in several countries with different language backgrounds the need for a language audit may increase.

Here, the approaches of the company to language management, such as corporate language and language training, are presented and analyzed.

#### Corporate Language

At first glance, it seems that the corporate language of Handelsbanken is Swedish as it has been stated in the company's principles. This appears for example in the HR documents in the intranet concerning Swedish language training where it is clearly stated that the company's corporate language is Swedish. Either way, the study reveals that Handelsbanken is currently mixing its strategies of language choice and therefore this earlier principle statement is not supported. The company uses both Swedish and English in its corporate communication as noted already in the previous section:

“At present, we have and we do not have a corporate language... In each country the host-country language approach is used (Swedish in Sweden, Finnish in Finland, English in Great Britain and so on...). But then we have the Group's collective material that has been mainly only in Swedish. But I believe that sooner or later the official corporate language is going to be English...”

(Human Resource Manager)

This finding of using different languages in corporate communication is likewise with the finding of Bruntse (2003, in Piekkari, forthcoming) of Scandinavian Airlines (SAS) where Scandinavian languages were used for internal

communication, but the convergence toward English was strong in many parts of the organization.

Swedish has been the natural choice for corporate language, because for the past years the company has been mostly operating in Nordic countries where Swedish language plays a major role. As Finland is a bilingual country, Swedish was also a natural choice for corporate communication. Also, the first Branch Managers that were establishing branch offices in Finland were Swedish expatriates. Their job was to transfer the knowledge to Finland and Swedish was the only language used in the process. Furthermore, most of the banking software adapted in the Finnish subsidiary was in Swedish language. Thus, the importance of Swedish in the internal communication in Finland was remarkable:

“When I started my career in Handelsbanken in 1997, all the internal communication was in Swedish inside my unit (a branch office in Espoo) even though only 1/3 of us had Swedish as mother tongue.”

(Human Resource Manager)

Today, it seems that the presence of Swedish in internal communication is not anymore as strong as it used to be. The expansion to new foreign markets and the establishment of the new part of organization, *Handelsbanken International*, has forced the company to start to produce all the collective material also in English. At present, there are different nationalities with different language backgrounds working for the company and therefore the communication can not be anymore only in Swedish. The purpose of selecting a common corporate language is to facilitate the communication between headquarter and foreign subsidiaries and the choice of Swedish does not certainly make it easier.

Some practices in the Group show the mix of corporate languages in the corporate level. Firstly, the company follows intranet adaptation: the information in the intranet is often provided in Swedish and in the local language of the foreign office. However, the amount of information is not equal in the intranet in both



languages. Most of the information may be only presented in Swedish, e.g. job advertisements which will be discussed later in this study. Secondly, the employee magazine which is distributed to the employees of the Group is written in Swedish and in English. Here again, Swedish language has a major role; the articles written in English are only summaries of Swedish texts.

When investigating the corporate language in the local level, it may be noticed that in the case of Handelsbanken Finland, the role of Swedish has decreased, yet is remarkable. Most of the banking software is still in Swedish and the reporting between the Finnish subsidiary and headquarter is always conducted in Swedish. In addition, the findings show that some Finnish units have internal communication inside the department still in Swedish, since it has occurred for the following reasons: the geographical location of the branch office (for example Swedish speaking Western Finland), the number of employees in the unit who are native speakers of Swedish or, finally, the unit may see it more like a hobby and practice to communicate together in Swedish.

Based on these arguments presented, it may be stated that Swedish is not always used in practice as the corporate language, regardless of the official company policy. The language used for internal communication differs according to the geographical region, the unit, the managerial level and the native language of the employees. This finding is similar with the research by Fredriksson (2005) regarding Siemens, where both, English and German, were used as corporate language. Finally, it may be argued that at present the company is mixing its strategy of language choice, but the status of English as the corporate language is evolving and it may be a matter of time, by when it will be fully adopted. However, still the role of Swedish as the corporate language is more powerful in the organization.

#### Language training

Handelsbanken offers language training to its employees but it is not seen as a self-evident issue in the company. Language courses are heavy investments in

time and money and therefore the human resource department does not encourage all the employees to take part in language courses if it is not seen as mandatory for better task performance. In other words, the language training is tied with the field of work of the employee. The company considers language courses carefully, so when an employee is willing to participate to a course, each case is studied individually (e.g. current work and career plans) before giving the permission to attend a language course. This reinforces the argument of Piekkari et al. (2005, 339) that language training is often seen costly and time-consuming. The need for language training can be brought up in yearly meetings with supervisors, who then decide on the language need with the human resource department:

“Firstly, if an employee wants to participate to a language course, I want to go through his/her job description. Secondly, if I agree that a language course may help him/her to a better job performance, I presume that this employee will be committed to use the language after in his/her work. Otherwise, it would just be a waste of money and time.”

(Human Resource Manager)

However, the author herself was entitled to take a language course in Handelsbanken due to the emerging need of Swedish in her department in customer service. The few Swedish speaking Finns in the department had made a career move to new positions inside the company and fluency in Swedish was needed among the existing Finnish employees to serve Swedish speaking customers.

The language training at Handelsbanken Finland is outsourced and it is offered mainly in corporate languages, Swedish and English, because these languages are mostly needed in the Finnish unit. If another foreign language is considered as essential for the company performance, some language training may be offered also in this particular foreign language as it was the case with Estonian few years ago. Handelsbanken Finland does not offer language training for expatriates, but the employee on a foreign assignment may have the possibility to participate to a language course in the branch of the target country; it will depend on the HR



policy in that particular foreign office. The language courses offered are all tailor-made; several different forms of language training are available. Language courses are provided in different levels of difficulty, from basic to advance, to meet the individuals' needs. In addition, the courses may concentrate only in oral or written expression and the job description of the employee is always taken into account. The needs of the participants are evaluated beforehand by the outsourced company. If the employees are unable to participate to a language course due to the lack of time, the company provides also self-access courses.

It seemed that even if the company provides language training to the company, more "on the job" language training is encouraged as the comment of the HR Manager illustrates:

"Employees should decide with their colleagues whose mother tongue is Swedish that they communicate inside their unit only in Swedish. This is the way I learned Swedish and I must agree that it was efficient..."

(Human Resource Manager)

The survey shows that 53.2 % of the employees had participated to one or more language courses. Yet, the amount of respondents who have not participated to a language course offered by the company is altogether high. Many of the individuals who have not participated to a course did not feel any need for it, because of their sufficient language skills in Swedish or English or they did not have time available to participate. But interestingly, most of the comments were based on the fact that the employees are not aware of the language training possibilities in the company or nobody has ever offered them the possibility to participate. Based on the comments of the respondents, it seems that the language training may be excluded from people in some organizational levels. Another interesting finding was that although some employees needed other languages, such as German, French or Chinese, besides the two corporate languages in their work, the company did not support these employees to study them. In other words, the company was not willing to invest neither time nor money:

“I would have wanted to study Danish but it was not supported by the head of the department”

(Professional employee)

“I pay by myself for my Chinese lessons; branch is not willing to take the cost”

(Professional employee on foreign assignment)

The language courses were generally regarded as efficient by the respondents. 65.3% of the language training participants found that the language course was useful for their current work, which is also the objective of language training from the company's perspective. This high proportion of satisfied employees may be due to the fact that the language courses are tailor-made. However, some criticism was given for the language courses:

“The language course was fun, but it did not exactly improve my language skills. It gave me more a picture of which level I am linguistically in...”

(Human Resource Manager)

The author herself may argue that the Swedish language course she participated was well organized and efficient, but one session per week did not improve sufficiently her language skills. She mainly got more courage to use verbally the foreign language in her everyday work, but it did not improve e.g. her writing skills. Thus, the author may state that language learning is a time-consuming process and an individual needs to invest also some of his/her free time to learn the foreign language.

The incentives of the answerers to join a language course were mainly current and future need or self-interest. These results illustrate that the motivation of the employees to participate in language training is based on the value they put for language skills in their career progression. This finding is similar with the study of Lahtinen (2000, 120) on the employees personal needs for language training. However, the survey data shows that 9.9% of the participants stated that the



primary reason was for fun. The researcher herself noticed similar findings when participating to the language course in the company: the rate of attendance was not always high and employees were neglecting homework. From the company's perspective, this is not the purpose of the language course and it is the concern of the human resource department. This finding corresponds to the notions of previous studies (Charles and Marschan-Piekkari, 2002) that language training is becoming more of a sponsored hobby. This phenomenon may be prevented for example by formal follow-ups after the courses. Handelsbanken does not have any formal evaluation for the efficiency of the language course, but the HR Manager stresses the importance of the supervisor in the observation. It is their duty to follow the language development of the employee, but she also argues that the benefit of a new competence such as language is recognized only in a longer-term. In addition to language courses, all the employees in the Finnish units have access to an electronic dictionary. This tool is extremely valuable; however, it may easily risk misunderstandings when not using proper words. Besides, as Piekkari (forthcoming) states the use of machine translation is not popular among employees, because they still tend to turn to a language competent colleague. Thus, the role of language skilled employees in task performance is vital.

As stated earlier in this research, language training is considered as a good tool to manage language diversity in the company (Dhir and Goké-Pariola, 2002; Feely and Harzing, 2003). It allows the less language skilled employees to improve their foreign language knowledge and this way they may perform better in their job. Even if Handelsbanken offers language training to its employees, still, it seems safe to say that the company emphasizes employees who already possess in the recruitment situation the needed language skills for task performance:

“The results of a language course are difficult to measure. They are seen in the longer-term, if at all...”

(Human Resource Manager)

This section presented the practices how the company manages its language diversity. Next, the discussion moves to the career development of the employees of Handelsbanken. Firstly, it presents how the career advancement is seen in the HR practices and, secondly, it analyzes the career paths and the future career plans of the employees and studies how relevant the language competence is in individuals' careers.

#### **4.4 Career Development**

Career development of employees is an important issue for Handelsbanken. It is stated in the annual review (2006) that "the Bank aims to recruit the best people, develop them and keep them within the Group". In order to keep the employees in the company, Handelsbanken needs to generate career paths for the employees and focus on competence development of each employee. Thus, the role of the HR department is vital in career management. The HR department informs the employee and the immediate supervisor about possible career moves in the company and offers additional training to the employee to achieve his/her personal goals. Performance appraisals are conducted yearly with the immediate supervisor and the development review results in an individual action plan with goals, which are regularly followed up (Annual Review, 2007).

The company seems to emphasize international experience and to be mentioned later in this study even some top managerial positions in the organization may not be possible without an international assignment. Also, it is stated in the company's internal job advertisements for international assignments that an international environment will be a valuable qualification in further career in the bank:

"The job will give you a good platform for your next career step in the Bank"

(Internal job advertisement for an Account Manager position, Shanghai)



“...International assignment will give you a good base for future managerial positions within Handelsbanken France or in other parts of Handelsbanken organization”

(Internal job advertisement for a Deputy Branch Manager position, Paris)

“The experience gained will increase your skills for future development in Handelsbanken Group”

(Internal job advertisement for an Account Manager position, Russia)

In addition, the company offers one year training positions in some foreign countries to its existing employees through International Development Program. It may be also considered as a good stepping stone for future career in the company:

“... You gain an insight into and understanding of German MNCs and you become familiar with international corporate banking business. The period with us should therefore be seen as an important stage in career development within Handelsbanken”

(Internal job advertisement for a Credit Analyst position, International Development Program, Frankfurt)

Furthermore, the company offers a yearly foreign award to few selected employees. This grant gives the possibility for the employee to familiarize oneself with a short-term visit to company's foreign office. The internationality of careers at Handelsbanken is shown also in the Group's internet homepage; in the career section some career paths of existing employees have been described to attract new possible employees. In these career success stories, the relevance of international assignments may be noticed.

Naturally, language skills are needed when applying for an international assignment as the Human Resource Manager stressed that adequate language skills are a prerequisite to apply for an international assignment. Also, this may be noticed in the study of internal job advertisements for international assignments in the organization:

“Excellent English skills needed, spoken as well as written”

(Internal job advertisement for a General  
Manager position, Hong Kong)

“Good communication skills in both written and spoken English are essentials to enable easy interaction with Account Managers, other branch staff and clients and preferably a Scandinavian language”

(Internal job advertisement for a Credit Analyst  
position, New York)

“Your written and oral English is on the same level as your Nordic language. Competence in French will be particularly advantageous”

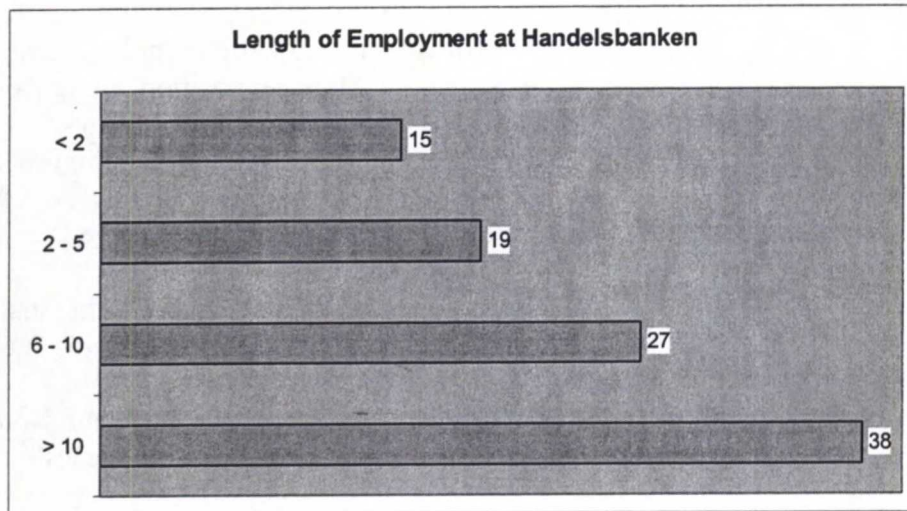
(Internal job advertisement for a Deputy Branch  
Manager position, Paris)

Therefore, if the employee is willing to have a career path, in which international assignment is included, language competence is also an issue to discuss in the yearly meetings with the immediate supervisor.

It can be argued that the company has succeeded in this objective of growing its own leaders, because of the high level of internal recruitment. In 2006, for the entire group, 91% of the managers were recruited internally (Annual review, 2006). Table 7 may illustrate the successful career management and the continuous commitment of employees to the case company. Around 65 % of the respondents have been more than 6 years working at Handelsbanken, which may be considered as a long time in the contemporary concept of career development where the relationship with the organization may be easily reduced to very few years (Baruch, 2004).



**Table 7: Length of employment at the case company**



According to the HR Manager, on average three to five years is a normal length for an employee of Handelsbanken to work in one task before making a career move inside the organization. In addition, when investigating the career paths of the respondents that have had a longer career at Handelsbanken (Figure 7), it may be noticed that the employees who have been relatively many years in the organization, have had the possibility to obtain different positions in the company. This possibility for career advancement inside the organization surely increases the willingness of the individuals to work for the same company. Interestingly, these employees, who have been working relatively many years at Handelsbanken, possess also comparatively good foreign language knowledge.

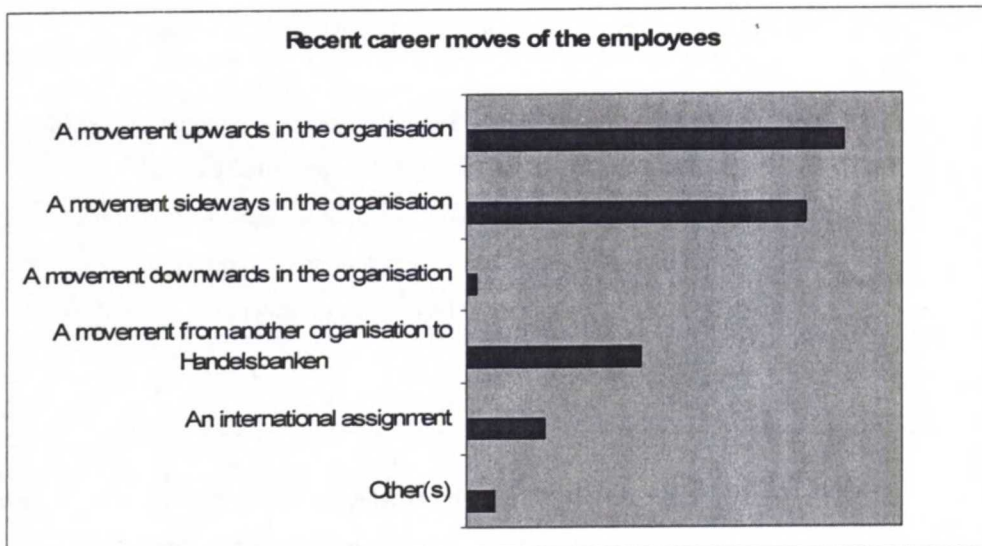
**Figure 7: Career paths of the respondents at Handelsbanken**

<u>Years in the company</u>	<u>Positions at Handelsbanken</u>
6-10	<ul style="list-style-type: none"> <li>• Marketing assistant - Support assistant – Account officer (international assignment) – Cash management specialist (current)</li> <li>• Investment advisor – Investment manager – Credit analyst – Relationship manager – Branch manager (current)</li> <li>• Account manager – Development specialist – Head of Operations (current)</li> </ul>
>10	<ul style="list-style-type: none"> <li>• Risk analyst – Account manager – Branch manager – Area manager – Bank director (current and international assignment)</li> <li>• Account officer – Head of corporate department – Representative (international assignment) – Branch manager (current and international assignment)</li> <li>• Head of operations – Head of payments – International assignment – HR Director – Branch Manager (current)</li> <li>• Trader – Account manager - Credit analyst – Finance Manager (current)</li> </ul>

Career development is not anymore seen as a hierarchical movement upwards in the organization (Baruch 2004). This statement may be proven by the fact that the recent career moves of the employees were diversified as shown in Table 8. Still, most of the respondents had a movement upwards in the organization, describing the traditional career path, but other options were also well on view. The contemporary career development may be noticed in the number of movement sideways, international assignments and from another organization to Handelsbanken. One movement downward was also referred.



**Table 8: Recent career moves of the respondents**



On average, the respondents were satisfied in the career management of the company. 75.0 % argued that their career expectations have been met at Handelsbanken and 61.9 % see the opportunities for career advancement as at least good or very good:

“There are interesting opportunities at Handelsbanken and new situations come up regularly”

(Top manager)

“It is very much up to yourself what you want to do and here in Handelsbanken; they give you the opportunity to do it if you just inform that you are interested”

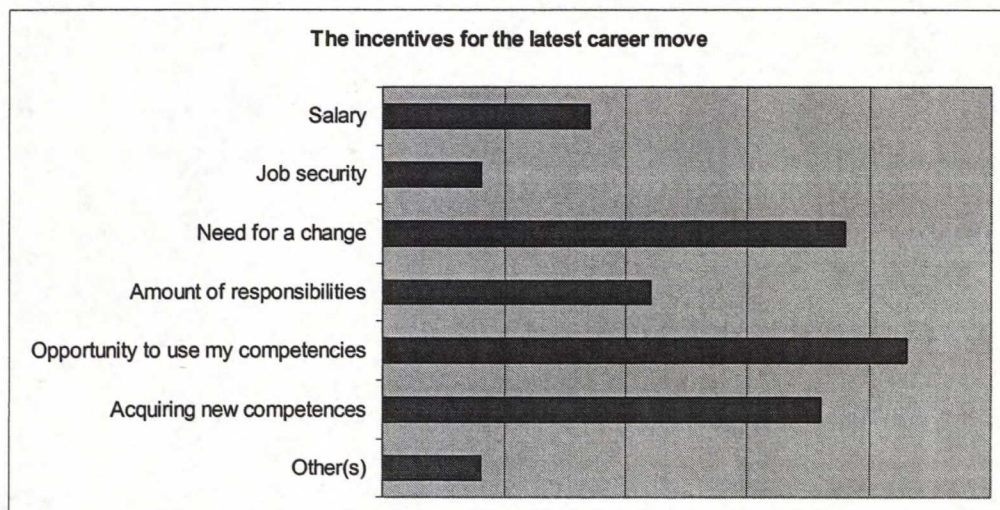
(Professional employee)

“I think that it has been really enlightening to have this opportunity to widen your knowledge about Handelsbanken through working on different departments and on totally different kinds of tasks...”

(Professional employee)

The study also revealed that the employees had different incentives for making a career move. Before, quantitative measures, such as salary, were the main reasons for a career success (Baruch, 2004). But as the Table 9 shows, salary did not represent one of the main reasons for a career move. This finding reinforces the concept of contemporary career models, in which “softer” incentives play a major role in the career moves.

**Table 9: The incentives for the latest career move**



The main reasons for a career move were the opportunity to use existing competencies, the need for a change and the possibility to acquire new competences. Interestingly, language may be considered as one of these existing competencies since 88.6 % of the respondent argues that language skill is an important competence for their career:

“I strongly underline the importance of language skills today and in the future”.

(Professional employee)

In addition, the importance of language skills may be noticed in the future career plans of the respondents at Handelsbanken: 79.4% of the respondents stressed the



importance of language skills in their future career. Many respondents were willing to use their existing language skills and apply in the future for assignments where inadequate foreign language skills may act as a barrier:

“I would be grateful if I could get after a position where I can use my language skills”

(Professional employee)

“Possible Branch Manager position or corporate relationship manager abroad”

(Professional employee)

“I am going to aim for international tasks”

(Middle manager)

Some of the respondents who were currently on an international assignment, wanted to continue their career abroad:

“Hopefully new international assignment and maybe some sort of manager position”

(Professional employee on foreign assignment)

“I may consider another assignment abroad”

(Professional employee)

“I see good possibilities due to my long work abroad and in the finance sector as the bank is expanding rapidly in foreign markets”

(Middle manager on foreign assignment)

These statements may expose the fact that the individuals have noticed the importance of internationality in their career paths. On the other hand, the company has succeeded in informing of the different possibilities for career development in the company.

Altogether, it may be stated that the concept of the boundaryless career exists at Handelsbanken and that the employees have noticed the importance of language knowledge as one career competence in career development.

## **4.5 Language Effects on Careers**

This last section of the chapter investigates the formal and informal influence of language on careers. First the formal ways, in which the influence may be noticed through company's practices, are presented. Thereafter the informal, subtle, ways of language affecting careers are analyzed.

### ***4.5.1 Formal Influence of Language on Careers***

In this study, formal influence of language on careers occurs, when the influence is recognised already in the corporate practices. As the literature review revealed, the formal influence of language on careers may be seen through recruitment, foreign assignment, corporate language and remuneration in the company. These formal influences in Handelsbanken will be discussed next.

#### ***4.5.1.1 Recruitment***

At Handelsbanken selective recruitment is used to some extent in order to employ people with relevant language skills. The job advertisements clearly state the needed languages for the applied position and the basis for the recruitment interview is that the needed language skills will be tested. However, every recruitment situation and job description is case-specific. The HR Manager stressed that applicant's language skills are tested in the recruitment interview, when they are considered necessary for the task. For example, for an applicant, who would work for a branch office in Eastern Finland, where Swedish or English is not popular among the clientele, the HR Manager does not consider the language skills to be important in the recruitment process. The company neither uses any language tests nor an outsider language professional to evaluate the language skills in the recruitment process. If foreign language skills are tested in



the recruitment interview, it is the duty of the HR Manager or the supervisor to change the discussion to a foreign language and evaluate if the candidate is able to communicate in this particular language.

The company values language competent employees, but the HR Manager of Handelsbanken Finland stresses that in each recruitment situation, the foreign language skills are weighted differently:

“...We do not have any position in this company, in which we would reject a good applicant with professional competence, because his/her foreign language skills do not meet our expectations. In this kind of situation, we reorganize the tasks in which language skills are needed and, of course, we expect that the applicant is willing to learn the needed language...”

(Human Resource Manager)

This argument proves similar findings with the research of Feely and Winslow (2006), Enderwick and Akoorie (1994) and Fixman (1990, in Marschan-Piekkari et al. 1999b). They all argued that while companies value language skills, still professional suitability is considered as the most important criteria in the recruitment. However, the importance of language needs to be well considered during recruitment for the successful task performance of the employee. According to Vaara et al (2005, 609), being a banking professional requires the ability to conceptualize organizational issues in sharp and persuasive ways, argumentation skills, and fluency in negotiations. Therefore, adequate language skills are needed to perform one's task in the company. Also Fernandez and Weinberg (1997) state that because many of the jobs in the banking industry require customer contact, interpersonal skills are likely to be an important consideration in the decision to hire. This also strengthens the value of language skills while dealing with a global customer.

The answers of the respondents regarding recruitment process and language skill evaluation were divided. The survey shows that 40% of the respondents said that their language competence was evaluated during the recruitment interview, 33.7%

said it was based on self-evaluation and, surprisingly, 26.3% mentioned that no language skill evaluation was done in the recruitment interview. The percentage of the last option “no evaluation” is interesting, because as the survey shows most of the respondents need foreign language skills daily. In this regard, if employees’ language skills are not evaluated during the recruitment interview and the applicant does not possess adequate language skills; it may hamper one’s task performance. One respondent showed some criticism towards the approach that language skills are not always evaluated in the recruitment interview:

“I often hear from co-workers that their Swedish language was not measured during the recruitment interview. It should be mandatory, because it influences the job performance and we all need Swedish here at some point.”

(Entry level employee)

Interestingly, the corporate language may already influence the decision of an employee to apply for a job in the bank. Piekari (forthcoming) argues that the choice of the common corporate language may also shape the company image among potential recruits in terms of its attractiveness. This may be proven by the argument of the Human Resource Manager:

“... It seems to me that people who end up working for us, have already noticed before filling the job application that in Handelsbanken their Swedish skills will be appreciated and therefore they apply for us...”

(Human Resource Manager)

Also, this phenomenon may be noticed when studying the Swedish skills of the respondents: 26 % of the respondents had Swedish as their mother tongue and 37% rated their Swedish skills good. Interestingly, none of the respondents mentioned not having any Swedish skills. However, the findings show that it is possible to have a career in the company without good knowledge of languages; some knowledge seems to be enough to proceed to a certain level in a foreign subsidiary (Appendix 3).



After studying the various job advertisements of the company, it may be stated that the needed language skills vary in different units as showed earlier in this research. These findings support the studies of Fredriksson (2005, 94) and Lahtinen (2000, 105) that the needed language skills of an applicant may be dependent on the unit in question. When applying for an entry level position in Handelsbanken, it seems that the language skills needed depend largely on the clientele and on the geographical location of the unit. A candidate for a unit in the metropolitan area of Finland needs to be fluent both in Finnish and Swedish because of the larger proportion of Swedish-speaking customers, whereas in Eastern Finland only good Finnish skills are needed and the employee is not expected to be fluent in English and Swedish. In addition, Russian skills are regarded as an advantage in Eastern Finland due to the geographical location:

“You have good knowledge of Finnish and you have the basic knowledge of Swedish and English. Russian is seen as advantageous.”

(Job advertisement for a Customer service position in  
Lappeenranta, Eastern Finland)

“You are fluent in Finnish and Swedish”

(Job advertisement for a Customer service  
position in Helsinki, Finland)

When applying for positions of a professional employee or in managerial levels in Finland, it seems that mainly good written and oral skills in Finnish, Swedish and English are expected. Here again the needed level of language knowledge varies between units e.g. in some units, where English is adapted as the working language, the candidate needs to have good skills only in English and the knowledge of Swedish is regarded as an added value:

“Good knowledge of Finnish and English, other languages are regarded as a plus”

(Job advertisement for a Professional employee position in  
Custody Services)

Interestingly, in the higher managerial level, fluency in Swedish and English are needed and they may be declared as a prerequisite:

“Good knowledge of Finnish, Swedish and English is a must”

(Job advertisement for a Middle management position in Fund  
Management)

“You are fluent in Swedish, Finnish and English”

(Job advertisement for a Top management position, Branch  
office in Southern Finland)

This supports the fact that the employees in top managerial positions need languages in different contexts, as shown earlier in this study. In addition, the job advertisements for managerial positions in foreign units show the language diversity of the company: in most of the foreign units, the managers are expected to have language skills in a Scandinavian language, the host country language as well as in the global language, English. The definition of “Scandinavian language” is interesting: It may be considered to be Swedish as it is recognised in the Nordic countries and the communication between headquarter and Nordic units have always been conducted in Swedish. This again shows the fact that the role of Swedish skills is remarkable in the company level and that an applicant for managerial position without Swedish skills may be excluded.

These language qualifications noted in the job advertisements rely with the answers of the language skills needed by the respondents and therefore it seems safe to say that more language skills may be needed when an individual is aiming for managerial positions. To conclude, it seems that in the recruitment phase special emphasis is given to the fact that the candidates possess language skills, even though professional competence is still the first criteria.



#### *4.5.1.2 Promotion*

From the individuals' perspective, language skills are recognised as a valuable career competence at present and in the future, although it is not solely seen as a competence for career advancement as one of the respondents' states:

"For career purposes it is more important to understand the business in the first place, the language skills are secondary for your development. That is not only language skills will ever get you moving with your career, but it is a great asset in learning new skills".

(Middle manager on foreign assignment)

This argument supports the statement of the HR Manager that the main criterion during recruitment is the professional competence of the individual. However, most of the respondents noticed the increasing need for language skills, when aiming for a more powerful position in the company:

"...If an individual is aiming for a high managerial position, it is worth to gain language knowledge"

(Human Resource Manager)

"Quite many promotion opportunities are closed if you are not fluent in languages"

(Human Resource Manager)

These arguments are supported as the study showed that entry level employees bear up only with knowledge of Swedish and English or neither, whereas professional employees and individuals in managerial levels need these two foreign languages more often and may even need additional foreign language skills (Appendix 3).

An interesting aspect, where the language competence seems to directly affect career development, is the internal recruitment policy of Handelsbanken. The level of internal recruitment is extremely high in the company as mentioned

earlier in this study. The job applications are first published in the intranet to attract existing employees and offer them possible promotions, before releasing them in public newspapers and in the company's internet home page for outsiders. But this practice may not be democratic for all the employees in the researched units, because the internal job advertisements are mainly released in foreign languages. The language of the intranet job applications is largely in Swedish, but depending on the unit and on the geographic location they may be written also in English. The Swedish approach in internal job applications is due to the corporate culture:

“...It is the Group's requirement that anyone inside the company may apply for any job. In order that everybody can understand the job description, it must be written in official corporate language. [...] If the new job is in Finland, I limit the amount of received applications by defining in the qualifications that the candidate must have good knowledge of Finnish...”

(Human Resource Manager)

This highlights again the importance of Swedish in the company and the question whether it is seen as a prerequisite for entering the company even if the need to use it varies among positions. The analysis of the internal job advertisements showed that the few advertisements that were released in Finnish were related to entry level positions in a linguistically irrelevant unit. These positions do not present upward movement in the organization for existing employees and therefore may not be considered as career advancement in the mind of an existing employee. Thus, it seems safe to say that this formality of releasing internal job advertisement in a foreign language may hinder the career advancement of a Finnish employee lacking foreign language skills.

The HR manager agreed that many promotion possibilities in the company may be closed for monolingual employees, e.g. poor language skills preclude them from applying for international assignments, as will be discussed later in this study. But an interesting finding was that language skills may act also as barrier to one's professional specialization in one's field as this argument reveals:



“The opportunities to work as an analyst in Handelsbanken in Finland are somewhat small because most of these positions are located in Stockholm. In this sense moving into more demanding analyst positions would require improving my skills in Swedish and moving abroad”.

(Professional employee)

“I hope that in the future I will be able to deepen my skills and knowledge in the asset management. Unfortunately the headquarters are in Stockholm, which means that most of the sales and marketing related tasks are taken care of there and we work the operational side of the business at this end”.

(Professional employee)

In other words, monolingual employees may not be able to expand their professional competence in their area of interest because many interesting jobs are only offered in the headquarters of the company in Sweden where foreign language skills are needed. In this regard, the knowledge of Swedish may be a precondition in the company for career development purposes, although, it may not have been emphasized when the individual was recruited to the company. Also, this phenomenon can be noticed in the career movements of few employees with Swedish as mother tongue; during their employment in the company, they have had positions at headquarters in Sweden, that have enriched their career back in Finland. Thus, it seems safe to say that language competence may have a formal influence on careers inside the company. It appears that Swedish may be a stated criterion for promotion at Handelsbanken.

It is noteworthy to mention that the HR department maintains a database where the competences of the employees are recorded for promotion purposes. This naturally includes recording employees' language skills, but as the HR Manager refers, the language section has not had a collective update for the past years. In addition, it is the employee him/herself who has to be active and do an updating request. However, the HR Manager states that this database policy may need changes in the near future because of the emerging need for language competent employees. Consequently, the effective utilization of this database may increase

the role of language in promotion decisions and, thus, influence individuals' careers.

This section has revealed that language skills may influence promotion decisions at any rate when applying for higher managerial positions, but also language may act as a barrier for employees willing to develop their professional competence in the organization. On the basis of the previous analysis, it may be stated that language skills are needed at least after a certain point on one's career in the company.

Next, foreign assignments which may be considered as one way of promotion, is discussed. The findings show that foreign languages act as a formal factor influencing the foreign assignment decisions.

#### *4.5.1.3 Foreign Assignment*

Internal mobility across national boundaries is highly valued in the organization and therefore the importance of foreign language knowledge increases. Piekkari (forthcoming) in her research argues that gaining foreign work experience through expatriate positions is regarded as a "must" for somebody who aims at climbing up the corporate ladder. This argument may be reinforced as the study revealed that in some top executive positions at Handelsbanken an international assignment is considered as a prerequisite. A successful work in a foreign subsidiary will be a merit for leading positions in the Bank:

"If somebody's career plan is to have a top managerial position in the company, usually it requires that he/she has been on an international assignment"

(Human Resource Manager)

In addition, the study showed that language skills are a precondition for an individual to be accepted to an international assignment. The HR manager stresses



that the employee who aims for a foreign assignment needs to possess an adequate language competence already when applying. The results of the survey revealed similar results: All the respondents in an international assignment had at least some knowledge of the host country language, Swedish and English. Also the employees who had been lately in the International Development Program had good knowledge of these particular languages. Thus, it seems safe to say that language competence influences formally international careers in the company.

Interestingly, all the employees in foreign assignments used the local language in daily work to some extent; yet, it seems that knowing one language is not enough. The expatriates may need Swedish and English skills in addition to the local language. Swedish was used for communication with headquarter and English mainly in communication with global customers or with local employees if the language skills in that target country language were not adequate for an in-depth communication. Also, the need of Finnish was relatively high with few expatriates. This multilingual approach at daily work was noticed particularly among expatriates in high managerial positions. In addition, the findings show that the language skills of the employees in international assignments may be valuable in the repatriation. The survey illustrates that these previous expatriates, hence repatriates, still need the language of the host country when returned back to a position in Finland.

An interesting finding was that at present the number of Finnish employees in managerial positions in foreign subsidiaries is remarkable:

“...Handelsbanken International is managed by two Finns, the Country Managers of Germany, Poland, Russia are from Finland. Also, Finnish employees are leading in China and Hong Kong and, besides, the Baltic operations are run by Finland...”

(Human Resource Manager)

In addition, many Finns are yearly accepted to the International Development Program, in which the employees have approximately a one year's trainee in a

foreign subsidiary. This great number of Finnish employees in foreign units may be due to the fact that the employees may have recognised the importance of language skills in careers and therefore have acquired foreign language knowledge. On the other hand, it may be assumed that Finnish employees are eager to develop their language skills, because Finnish is considered as a minor language in the world and therefore being monolingual may hamper international careers. Another interesting finding was that some of the employees who were currently on an international assignment also saw their career development in the future at Handelsbanken as very international.

This section determined that language competence may influence foreign assignments in Handelsbanken and thus shape the career paths of individuals. Next, the impact of corporate language will be discussed.

#### *4.5.1.4 Corporate Language*

The influence of the official corporate language on one's career advancement at Handelsbanken is interesting. As the previous sections have illustrated, the importance of the official corporate language, Swedish, in the corporate communication is generally declining; however these statements cannot be proven when investigating it from a career perspective. According to the respondents, it is quite obvious that without the knowledge of the officially stated corporate language, Swedish, it is difficult to have good positions in the company:

“In Handelsbanken quite many doors are closed if you aren't fluent in Swedish”.

(Top manager)

“Without excellent Swedish skills is quite hard to have jobs in managerial level at Handelsbanken”

(Entry level employee)



Interestingly, these arguments were given by Finnish speaking employees that did not find their Swedish skills sufficient for their work, even though the importance of Swedish was not relevant in their unit and in their daily work. Thus it seems that there is a tendency that career progression in the company may be dependent on the fluency of the corporate language no matter what unit in question. This finding reinforces the statements of Piekkari et al. (2005) and Feely and Winslow (2006) about the essentiality of knowing the corporate language in order to advance inside the company. It seems that this phenomenon called "glass ceiling - effect" introduced by Piekkari et al. (2005) may take place also at Handelsbanken. This occurs not only in the needed Swedish skills in different tasks, but also in everyday context in the company. The lack of fluency in corporate language may limit also the participation to corporate training which may develop individuals' professional competence. This way, it seems that corporate language may be an obstacle for career development. Besides the internal environment in the organization seems to be still really Swedish even if the importance of this particular language is stated to decline in the internal communication. In order to benefit from company's internal communication, all the employees need Swedish skills:

"All the relevant information about new job opportunities and big news about Handelsbanken are in Swedish in the intranet"

(Entry level employee)

Interestingly, 26 of the respondents had Swedish as their mother tongue. After investigating their recent career moves it can be noticed that their career movements have been on average more active than those of non-Swedish speaking employees. Furthermore, these employees were relatively in good positions in the company. Most of the Swedish speaking respondents were currently on managerial positions, had been working for several years in the company and have had different recognized occupations inside the company. However, this argument may not be generalized because as the study shows, also employees, who are not fluent in Swedish, are in good positions in the company.

But it surely gives an interesting point of view for the importance of corporate language. In addition, it was noticed that some of the Swedish-speaking respondents had formerly worked at headquarters in Sweden, where interesting positions existed, in order to boost their career as illustrated earlier in this study. In this context, the Swedish speaking Finns in Handelsbanken have benefited crucially from the corporate language policy of the organization. These findings are similar with the study of Vaara et al. (2005) on Nordea, where Swedish-speaking Finns enjoyed of new career opportunities because of their corporate language skills.

Interestingly, the official corporate language may have also influenced employees' boundaryless career choices. The results show that few Swedish speaking employees had been working in other Swedish banks operating in Finland before recruitment to Handelsbanken. This may be due to the fact that the individuals have recognised the value of their mother tongue for career advancement and are willing to make their career in companies in which their Swedish skills will be appreciated.

These results of the survey illustrate that the fluency in corporate language may influence the career development of an individual, but however, several factors influence the career development of an employee in the company. Therefore it may be stated that fluency in corporate language offers more career possibilities for an individual in the organization, but promotion may not happen solely on the basis of language competence.

#### *4.5.1.5 Remuneration*

The influence of language competence on careers through increase in salary is not perceived in the organization. According to the HR Manager, the company does not have a premium policy based on additional language competencies. However, she stressed that an employee with an exceptional language competence, which



would be considered valuable for the company's performance, has the possibility to negotiate about a higher salary. Also, if the employee needs a particular foreign language to his/her task and he/she acquires the knowledge of it, an individual salary review may be conducted. Nevertheless, the HR manager mentioned that she did not remember a case where salary reviews were made based on the language competence.

In addition, the study revealed that the employees did not participate in language courses in order to receive premiums. Their motivation to participate was mainly for current and future need in their task performance.

Moreover, the results of the survey concerning salary and language competence were divided: 46.9 % of the respondents stated that their current salary reflects their language competence and 54.1 % disagreed. In other words, the fact that language competence may influence career progression through remuneration is not exclusive in the Finnish unit of the company. Interestingly, according to the Annual Report (2006), all employees in Sweden and Norway have individual salary reviews with their supervisor with no central directives concerning defined salary levels. It would be interesting to know if language competence is emphasized in these salary reviews.

All in all, it seems that in the case company language competence does not influence careers directly through increase in salary. However, it may occur if a language competent employee is willing to have an individual salary review based on language competence. Currently, it seems that employees are not aware of the possibility to negotiate about their language competence and salary with the immediate supervisor.

#### ***4.5.2 Informal Influence of Language on Careers***

The literature review showed that the language may influence careers in informal ways. In this study, the informal influence of language is described as a phenomenon that takes place silently and unnoticed in one's career. In other words, the individual him/herself or one's co-workers may recognize the influence of language to his/her career progression but it is not noticed in the company's practices. Next, the indirect influence of language to career through strategic positioning and social networking is analyzed.

##### ***4.5.2.1 Strategic Positions of Language-Competent Staff within the MNC***

The survey illustrated that the occurrence of using language competent employees in communication is relevant in the company. This coincides with the arguments of Marchan-Piekkari et al. (1999a) on language nodes that are comfortable operating in several languages. These language nodes tend to gain strategically important positions in the organizations and thus obtain career success. However, as for basis these language nodes are in the same hierarchical status than their less language competent colleagues.

The questionnaire revealed that less language skilled employees tend to turn to a colleague who is competent in foreign languages as 68.3 % of the respondent agreed that monolinguals in their unit need help from language competent employees. Language skilled employees may be needed among other to make phone calls, write emails or do translations for monolingual employees:

“Employees with language skills are often asked to do translations for their colleagues or even superiors if these lack the required language skills. This can be much laboured and you get no credit for this kind of work”.

(Professional employee)



“From my point of view, my language competent colleagues are often disturbed by others to finish their tasks where for example Swedish is needed. And they do not get any kind of bonus for that.”

(Entry level employee)

These additional duties may often be considered more challenging as 50.6 % of the respondents stressed that more responsible tasks are given to language skilled employees. In addition, it is noteworthy that 53.8 % of the respondents agreed that language skilled employees may often perform other duties outside their job description.

As mentioned earlier, the need of language skills differs among units. However, the survey illustrates that some Finnish speaking employees do not need Swedish in their task, but their Swedish speaking colleagues from the same unit emphasized the importance of Swedish in their everyday work. This finding reveals the fact that language skills needed in work depends on the mother tongue of the employee. In other words, Swedish speaking employees are in strategic positions because they are assigned to tasks in the unit where Swedish skills are needed. Therefore the Finnish speaking employees may not even recognize the need for language skills in their unit. This may appear in the minds of Swedish speaking employees as career development because of the more powerful and recognized position comparing to Finnish speaking employees. This finding reinforces the research of Vaara et al. (2005) in which the authors found that many Swedish-speaking Finns had greater positions in the company than their official position would have implied. This phenomenon was found also in the daily work of repatriates who needed to be in charge of communication in the particular foreign language that nobody else in their unit had knowledge of. These arguments cohere with the research of Marschan-Piekkari et al. (1999) on the power of language (see Figure 5).

#### *4.5.2.2 Personal Networks*

The influence of language on careers may be also noticed through social networking: 47.3 % of all the respondents thought that language skilled colleagues tend to establish social networks which are used for personal purposes for career advancement. However, the real figure of this phenomenon is in fact difficult to measure. It may be assumed that the respondents with no language skills do not realize the influence of language competence on building networks. Therefore, the monolinguals should be excluded from this figure. Interestingly, the percentage is higher when only employees with good language skills are included. 69% of the respondents with good language skills emphasize the importance of language skills for networking in the purpose of career development. It can be argued that this is higher due to the fact that the employees with good language skills have been able to use their networks that they have built with their language skills for career development. Another perspective to this gives the answer of Swedish speaking employees. In their view language skills are essential for employees when building social networks: 83.4 % agreed that language skills helps to build social networks that are vital for career advancement. This finding reinforces the statement of Mäkelä et al. (2007) about the interpersonal similarity when people with similar language background tend to interact with each other.

The social networking may be noticed also in the units where Swedish has been unofficially chosen as the unit's language. This drives the employees whose mother tongue is Swedish and employees with good Swedish skills together to socialize. Therefore, the employees who are not able to communicate in Swedish are socially excluded and by reason of the exclusion are not able to build networks that are vital for career development. Also, it may hinder the work performance of the employees lacking language skills, as they are not able to participate to discussions fully. This illustrates the social implication of language introduced by Victor (1992). Based on these evidences it seems safe to say that language skilled



individuals are able to build social networks that they may use for career development.

## 5 CONCLUSION

As this being the concluding chapter, the main findings of the research are illustrated and the theoretical framework of the study will be modified. Furthermore, some managerial implications are presented as well as suggestions for future research are given.

### 5.1 Main Findings

The aim of the study was to explore the influences of language competence on careers in a foreign-owned MNC unit in Finland. Both organizational and individual perspectives were investigated.

The research question was formulated in the following way:

*Does language competence influence individual career progression within a MNC, if so, how?*

As an answer to the research question, the empirical findings illustrated the importance of language competence in individuals' career progression in a MNC. It revealed that language competence influences careers in various ways beyond initial recruitment. Figure 8 presents the elaborated theoretical framework where the major findings are highlighted.

In the organizational context, the data illustrated that language diversity exists in Handelsbanken. The company's explicit approaches to manage the language diversity are defining a corporate language and offering language training to its

employees. Still it seems that the official corporate language is Swedish as it is stated in the corporate policy; however, the role of English in the communication is emerging. The findings show that the company is having a dual corporate language approach since it is mixing Swedish and English as its corporate languages. Moreover, the language used for internal communication differs according to the geographical region, the unit, the managerial level and the native language of the employees. Based on the findings, it seems safe to say that it is a matter of time until English is going to be fully adopted as official corporate language.

Also, the company responds to language diversity by offering language training to its employees. This practice ensures employees to a better task performance inside the company as well with the global customers. However, the study revealed that the company found language training as a heavy investment in time and money. Therefore existing employees with already adequate language skills may be considered as valuable for the company's performance.

From the individual's perspective, language skills are relevant in the company and the employees give extended importance to language skills as one career competence. The study showed that the daily use of foreign languages by employees was remarkable. In addition, the study revealed that the higher up in the hierarchy one goes the better language skills he/she usually encounters as more foreign languages are needed and in different contexts.

The company emphasizes internal recruitment and therefore career management plays a key role in the human resource practices. The company has succeeded to develop its own managers and most of the respondents argued that their career expectations have been met at Handelsbanken. Also, the study reinforced the present of contemporary career development models as the data showed that the latest career moves of the employees of Handelsbanken were diversified.



The empirical data reinforces the division of formal and informal influences of language on individual's career progression. These formal influences of language may be clearly noticed in the corporate practices. Firstly, Handelsbanken tends to use selective recruitment to some extent, however, the language skill requirements vary in different positions. The data showed that the higher the applied position, more language skills are required. The survey data indicated that usually individuals who had advanced to managerial positions were fluent at least in Swedish and English. Even though the company highly values language skills still professional competence is the most important criterion in the recruitment situation. Secondly, the study showed that language skills open more promotion opportunities for the employees of Handelsbanken: the language of the internal job advertisement limits the possible career progressions of monolingual employees as well as the international assignments are excluded from employees without adequate language skills. Also, one major finding was the prerequisite of international assignments for some top managerial position; however the principle for an international assignment is the existing language skills of the employee. Thirdly, the formal influence of language competence on careers may be noticed through corporate language of the company as the glass ceiling effect took place in the company. On the basis of the findings it seems that it is possible for an individual to proceed to a certain level without good knowledge of Swedish but in order to advance on the corporate level such skills are needed. Finally, the influence of language on careers through increase in salary did not take place in the company; however, this practice may be used if the employee's extended language knowledge is valuable for the company's performance.

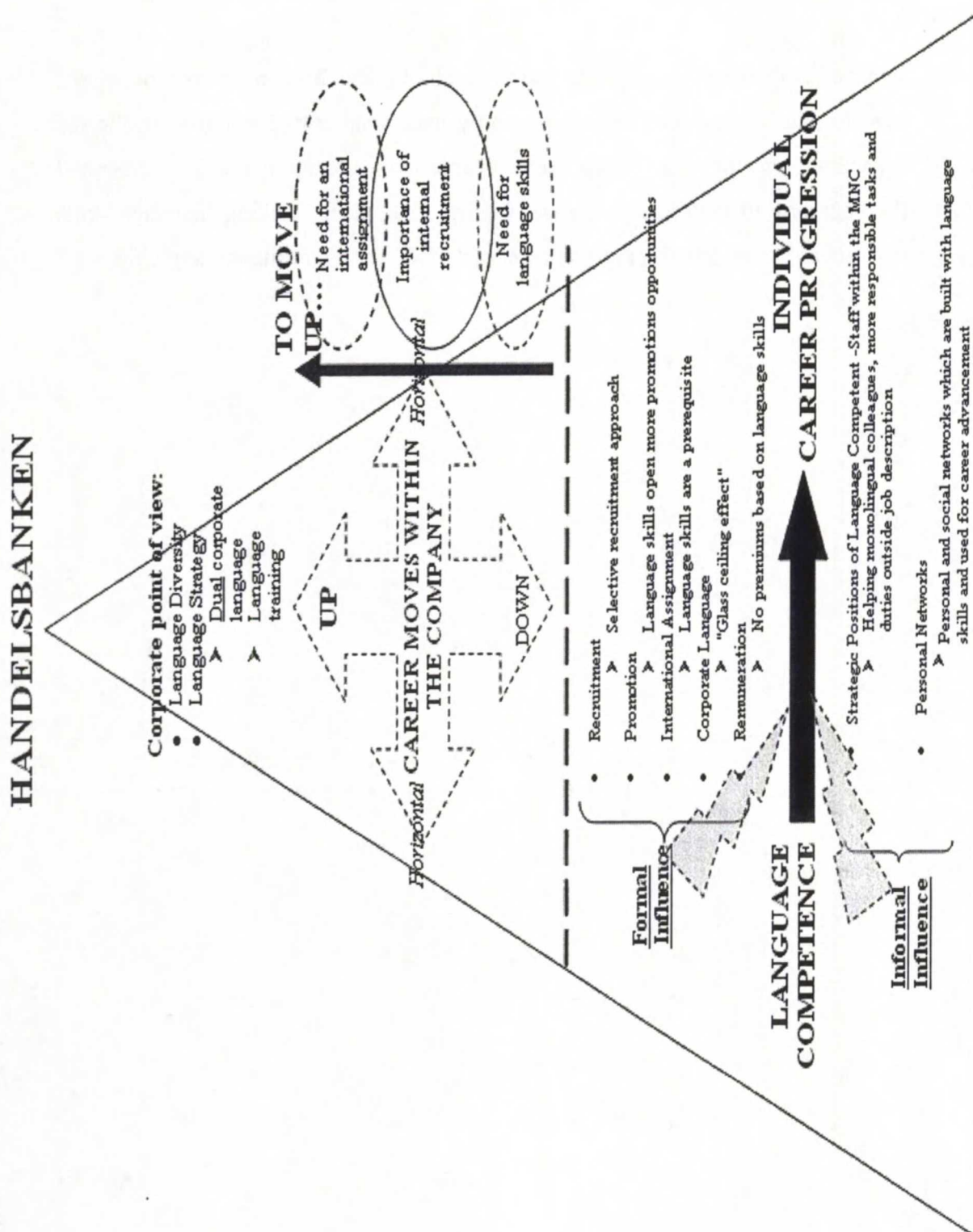
The informal influences of language competence on career progression take place unnoticed and without the involvement of corporate practices. The study recognised two informal influences: language based strategic positions and personal networks. Language competent employees tend to gain more powerful positions in the company due to their language knowledge which is needed in daily work. Monolingual colleagues are dependent on language skilled employees as otherwise they are not able to perform successfully in their work. In addition,

the study revealed that it seems to be easier for language competent employees to build personal networks that are vital for career progression.

In conclusion, based on the empirical research of Handelsbanken it may be argued that the language skilled employees enjoy better career opportunities inside the organization as they maintain a relevant career competence that enables them and the company to better performance. On the other hand, lacking language skills may act as barrier to career progression in a MNC for monolingual employees.



Figure 8: Elaborated Theoretical Framework of the Study



## 5.2 Managerial Implications

From organizational perspective and especially from human resource perspective, this study emphasizes a more strategic approach to language management. We know that language can add substantial value to the daily operations of a MNC and help to realize international relationships. In other words, highly skilled staff with language skills is essential to corporate efficiency and success in the global markets.

As the study showed, language competence is primordial in one's daily tasks in the case company. It may be argued that investing in languages could improve employees' performance, increase inter-unit communication and improve client satisfaction. With the fact the language skills are seen as important career competencies among the employees, investing in language competencies seem at first glance like a win-win situation for both the organization and the individuals. Besides, in a multinational context, investing in languages can not have a negative impact for the company's performance.

MNCs should estimate whether to invest in language training or whether to recruit staff with language knowledge. Also the positioning of existing employees with language skills is crucial to consider. Even if it would not be profitable for MNCs to invest massively into language development programs, they should consider seeing how they can increase language competence at low cost. For example, the human resource department has the possibility, through its own practices, to place language as a priority. The study stressed earlier the importance of language proficiency as a criterion of recruitment. HR could also consider linking language to the remuneration of individuals or add hours of language training. Again low cost should be a standard for selecting these HR practices.

At worst, neglecting the significance of language skills in human resource practices may lead to the result that language skilled employees may leave the



organization. A good external job market and the needed career competencies, including language skill, make such career moves easy for employees in a boundaryless world.

### **5.3 Suggestions for Future Research**

Language skills and career progression is a relatively new area of research and this study seemed to rise an interesting area of further research. As this research concentrated on a single case study, a necessary extension for this study would be a multiple case study in order to generalize the results.

In addition, it would appear interesting to explore more how language competence has shaped the careers of language skilled employees beyond a MNC meaning through their career life in several organizations. Also, it seems relevant to include respondents outside of the company, such as students, who are in the beginning of their career and explore how essential they see language as a part of career competencies. For instance, if their decision to invest in foreign languages has been career related or not. Furthermore, it would be interesting to interview current job applicants of the company and investigate their expectations about the language skills needed in the company.

Hopefully, this study will promote individual and organizational responsiveness towards language competence and its influence on career progression in the future.

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## APPENDICES

### Appendix 1

UNIT	LANGUAGES NEEDED IN THE UNIT
<b>Handelsbanken Finland Regional HQ:</b> <u>Administration</u> - Internal Audit - Communication - IT <u>Products &amp; Business Operations</u> <u>Capital Markets</u> <u>Cash Management</u> <u>Corporate Finance</u> <u>Custody Services</u> <u>Foreign Payments</u> <u>Treasury</u>  <u>Branch Offices</u> - Administration - Customer Service	Finnish, Swedish, English Finnish, Swedish, English Finnish, Swedish, English Finnish, Swedish, English Finnish, English, Swedish, German, French Finnish, Swedish, English, German Finnish, English, Swedish Finnish, English, Swedish, German, French Finnish, English, Swedish Finnish, Swedish, English  Finnish, Swedish, English, German, French Finnish, Swedish, English
<b>Handelsbanken Fonder (Finland):</b>	Finnish, Swedish, English
<b>Handelsbanken Finance (Finland):</b> <u>Administration</u> <u>Customer Service</u> <u>Sales</u> <u>Credit Department</u> <u>Leasing</u>	Finnish, Swedish, English Finnish, Swedish, English Finnish, Swedish Finnish, Swedish, English Finnish, Swedish, English
<b>Handelsbanken Liv (Finland):</b> <u>Administration</u>	Finnish, Swedish
<b>Handelsbanken International:</b> - Administration <u>China</u> <u>Estonia</u> <u>Germany</u> <u>Hong Kong</u> <u>Poland</u> <u>Russia</u> <u>Anonymous units</u>	Swedish, English, Finnish English, Swedish, Chinese, Finnish English, Estonian, Finnish, Swedish German, Swedish, English, Finnish English, Finnish English, Swedish, Polish, Finnish Finnish, English, Swedish, Russian English, Swedish, Finnish
<b>Handelsbanken Sweden (HQ):</b> <u>IT</u> <u>Credit department</u>	Swedish, English Swedish, English
<b>Handelsbanken UK Regional HQ:</b> <u>Financial Department</u>	English, Swedish, Finnish



Appendix 2

		<u>Number of branches:</u>	<u>Services provided:</u>
<b>BRANCH OPERATIONS:</b>	Sweden	461 branch offices	complete banking services
	Denmark	39 branch offices	complete banking services
	Finland	44 branch offices	complete banking services
	Norway	46 branch offices	complete banking services
	Great Britain	42 branch offices	complete banking services
<b>OTHER BRANCHES:</b>	Poland	7 branch offices	Corporate services and financing of housing
	France	2 branch offices	Asset management, corporate services, financing of housing
	Germany	4 branch offices	Corporate services
	Russia	2 branch offices	Corporate services
	Austria	1 branch office	Corporate services
	China	1 branch office	Corporate services
	Estonia	1 branch office	Corporate services
	Hong Kong	1 branch office	Corporate services
	Luxembourg	1 branch office	Asset management and corporate services
	Netherlands	2 branch offices	Corporate services
	Singapore	1 branch office	Asset management and corporate services
	Spain	3 branch offices	Corporate services
	Switzerland	1 branch office	Asset management
	USA	1 branch office	Corporate services
<b>REPRESENTATIVE OFFICES:</b>	Beijing		Corporate services
	Kuala Lumpur		Corporate services
	Mumbai		Corporate services
	Taipei		Corporate services

Source: Handelsbanken Annual Review (2007)

Appendix 3

LANGUAGE SKILLS OF THE RESPONDENTS AT DIFFERENT ORGANIZATIONAL LEVELS

	Mother Tongue	Good	Average	Some
<b>Top Management</b>	Finnish, Swedish	Finnish, Swedish, English, Russian, French, Norwegian, Estonian, German	Swedish, French German, Chinese	Swedish, French, Spanish, German, Estonian, Russian, Italian, Polish, Chinese
<b>Middle Management</b>	Finnish, Swedish, Estonian	English, Finnish, Swedish	Swedish, English, German, Dutch, Norwegian, Danish	French, Russian, Swedish, Russian, German
<b>Professional employee</b>	Finnish, Swedish, Bulgarian	Finnish, English, Swedish, German, French	Swedish, English, German, French	English, German, Swedish, Russian, French, Italian, Norwegian, Danish, Spanish
<b>Entry positions</b>	Finnish, Swedish, Russian	Finnish, Swedish, English, French	Swedish, Finnish, English, German	Swedish, German, Russian, Spanish, Italian, French



#### **Appendix 4**

### **HANDELSBANKEN SUOMEN HENKILÖSTÖJOHTAJAN HAASTATTELU**

#### **Yrityskieli**

1. Historia vs. nykytila
2. Viestintätilanteet
3. Käyttö (konsernitase vs. tytäryhtiötase, osastokohtaiset erot)
4. Kielistrategia

#### **Kielikoulutus**

5. Tarjonta
6. Osallistuminen
7. Kielitaidon arviointi
8. Kustannukset
9. Kielikoulutus Suomessa vs. tilanne muissa yksiköissä ulkomailla

#### **Kielitaito ja ura**

10. Rekrytointi
11. Ylennykset
12. Ulkomaankomennukset
13. Palkka
14. Urapolku
15. Suomen tilanne vs. tilanne muissa yksiköissä ulkomailla

#### **Muuta**

16. Muut dokumentit
17. Kyselyn toteutus muissa yksiköissä
18. Luottamuksellisuus
19. Kommentteja

## **Appendix 5**

Hei,

Teen Helsingin kauppakorkeakouluun pro gradu -tutkielmaani, joka käsittelee kielitaitoa ja sen merkitystä urakehitykseen. Tutkimukseni tarkoitus on tutkia miten kielitaito vaikuttaa uraan kansainvälisessä yrityksessä niin työnantajan kuin työntekijänkin näkökulmasta.

Olen käynyt kyselyn läpi Suomen Handelsbankenin henkilöstöjohtaja Kristiina Markelinin kanssa ja saanut luvan toteuttaa kyselyn valikoidulle joukolle Handelsbankenin työntekijöitä.

Pyytäisin nyt teitä vastaamaan kyselyyni jonka löytää seuraavasta osoitteesta:

[http://www.surveymonkey.com/s.aspx?sm=42gBNjZazES8mblrXlPyXw\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=42gBNjZazES8mblrXlPyXw_3d_3d)

Kyselyyn vastaaminen vie max. 5 minuuttia ja se sisältää monivalintakysymyksiä ja muutaman avoimen kysymyksen. Kysely on englanninkielinen ja antamanne vastaukset käsitellään nimettöminä ja ehdottoman luottamuksellisinä. Tulokset julkaistaan ainoastaan kokonaistuloksina, joten kenenkään yksittäisen vastaajan tiedot eivät paljastu tuloksista.

Olisin erittäin kiitollinen jos vastaisitte kyselyyni ja näin edesauttaisitte valmistumistani.

Vastaathan perjantaihin 1.helmikuuta mennessä!

Parhain terveisin,  
Karoliina Muukari

Hej,

Jag gör mitt pro gradu -arbete som undersöker språkkunskap och hur den påverkar karriärutvecklingen. Jag undersöker det både ur arbetstagarens och arbetsgivarens synvinkel. Handelsbanken har tillåtit mig att genomföra denna förfrågning till företagets anställda.

Ni kan fylla i förfrågningen på internet:

[http://www.surveymonkey.com/s.aspx?sm=42gBNjZazES8mblrXlPyXw\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=42gBNjZazES8mblrXlPyXw_3d_3d)

Förfrågningen är på engelska och det tar cirka 5 minuter att fylla i den. Alla svaren behandlas konfidentiellt.

Jag skulle vara mycket tacksam om ni kunde fylla i förfrågningen och därmed hjälpa mig att bli klar med studierna i Handelshögskolan.

Jag skulle ber er svara senast den 1. februari.

Med vänlig hälsning,  
Karoliina Muukari

**Handelsbanken Rahoitus Oyj**  
Karoliina Muukari  
Rahoitustoimihenkilö  
[karoliina.muukari@handelsbanken.fi](mailto:karoliina.muukari@handelsbanken.fi)



## Appendix 6

### Questionnaire for employees of Handelsbanken

#### 1. Personal Information

##### 1. Sex

☐ F  
☐ M

##### 2. Current job title, unit and country:

(Please indicate if you are on a foreign assignment)

##### 3. Length of employment at Handelsbanken (years):

☐ <2  
☐ 2-5  
☐ 6-10  
☐ >10

#### 2. Language Skills

Please estimate your foreign language skills:

##### 4. Speaking

	None	Some	Average	Good	Mother tongue
Finnish	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Swedish	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
English	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
German	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
French	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Russian	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chinese	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spanish	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other(s)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If other(s), please specify

## Questionnaire for employees of Handelsbanken

### 5. Writing

	None	Some	Average	Good	Mother tongue
Finnish	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Swedish	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
English	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
German	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
French	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Russian	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chinese	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spanish	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other(s)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If other(s), please specify

### 6. Please rate

	Strongly disagree				Strongly agree
*Language skills are important competences for my career*	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## 3. Language Skills and Job Performance

### 7. In your communication at work, how much the following languages you need? (in total 100%)

Finnish	<input type="text"/>
Swedish	<input type="text"/>
English	<input type="text"/>
German	<input type="text"/>
French	<input type="text"/>
Russian	<input type="text"/>
Chinese	<input type="text"/>
Spanish	<input type="text"/>
Other(s)	<input type="text"/>

### 8. When do you currently use your foreign languages at work? (You can select more than one)

- ☐ in meetings
- ☐ in e-mail correspondence
- ☐ in telephone conversations
- ☐ in presentations
- ☐ in social communication
- ☐ Other(s)

If other(s), please specify

## Questionnaire for employees of Handelsbanken

### 9. How often do you need foreign language(s) at work?

- ☐ Daily  
☐ Weekly  
☐ Monthly  
☐ Less than once a month  
☐ A few times in a year  
☐ Less frequently

### 10. Do you find your language skills sufficient for the requirements of your work?

- ☐ Yes  
☐ No

### 11. Please rate:

Strongly  
disagree

Strongly  
agree

\*The company has encouraged me to improve my language skills\*

☐ ☐ ☐ ☐ ☐

### 12. Have you participated in a foreign language training offered by Handelsbanken?

If yes, in which language(s)?

- ☐ Swedish  
☐ English  
☐ Other(s)  
☐ Not participated

If not participated, why?

### 13. What were your incentives to attend to a language course?

(You can select more than one)

- ☐ Current / future need  
☐ Self-interest  
☐ Fun  
☐ Mandatory  
☐ Other(s)  
☐ Not participated to a language course

If other(s), please specify

### 14. Please rate:

Strongly  
disagree

Strongly  
agree

Not  
participated

\*The language training I participated in was useful for my current task\*

☐ ☐ ☐ ☐ ☐ ☐



## Questionnaire for employees of Handelsbanken

### 15. Please rate:

	Strongly disagree				Strongly agree
*Colleagues with no language skills in my unit need help from others*	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 16. Please rate:

	Strongly disagree				Strongly agree
*More responsible tasks are given to language skilled colleagues*	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 17. Please rate:

	Strongly disagree				Strongly agree
*Language skilled colleagues may often perform other duties outside their job description*	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 18. Does your current salary reflect your language competence?

- ☐ Yes  
☐ No

## 4. Career Development and Language Skills

### 19. Years in working life:

- ☐ <5  
☐ 6-10  
☐ 11-15  
☐ 16-20  
☐ >20

### 20. Which positions have you had during the past ten years? (at Handelsbanken and elsewhere)

You can also copy your CV.

### 21. Educational level:

- ☐ Upper secondary level (in Finnish "lukio")  
☐ Vocational school (in Finnish "ammattikoulu")  
☐ Polytechnic (in Finnish "ammattikorkeakoulu")  
☐ Bachelor's degree  
☐ Master's degree  
☐ Doctor's degree

## Questionnaire for employees of Handelsbanken

### 22. How would you assess your recent career move?

- ☐ A movement upwards in the organisation
- ☐ A movement sideways in the organisation
- ☐ A movement downwards in the organisation
- ☐ A movement from another organisation to Handelsbanken
- ☐ An international assignment
- ☐ Other(s)

If other(s), please specify

### 23. What drove your latest career move?

(Please select the TWO most important options)

- ☐ Salary
- ☐ Job security
- ☐ Need for a change
- ☐ Amount of responsibilities
- ☐ Opportunity to use my competencies
- ☐ Acquiring new competences
- ☐ Other(s)

If other(s), please specify

### 24. Please rate:

	Bad					Really good
How do you see the opportunities for career advancement at Handelsbanken?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### 25. Have your career expectations been met at Handelsbanken?

- ☐ Yes
- ☐ No

### 26. When recruited to Handelsbanken, how was your language competence evaluated?

- ☐ During recruitment interview
- ☐ Based on self-evaluation
- ☐ No evaluation

### 27. When promoted in Handelsbanken, was your language competence evaluated?

- ☐ Yes
- ☐ No
- ☐ No promotion

## Questionnaire for employees of Handelsbanken

**28. Please rate:**

	Strongly disagree				Strongly agree
"Language skilled colleagues tend to establish social networks which are used for career advancement"	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**29. How do you see your career development in the future at Handelsbanken (positions, tasks)?**

**30. Please rate:**

	Not important				Really important
"The role of language skills in my future career is..."	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**31. Any additional comments would be most welcomed:**